

Michigan Department of Treasury
496 (2-04)**Auditing Procedures Report**

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Charter County of Wayne, Michigan		County Wayne
Audit Date 09-30-03		Opinion Date 07-15-05	Date Accountant Report Submitted to State: 07-18-05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards unless reported as a "Yes" response below. "Yes" responses have been disclosed in the financial statements, including the notes, or the report of comments and recommendations. "No" responses indicate that no instances of noncompliance came to our attention.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☒ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).		X	
Single Audit Reports (ASLGU).			X
		X	

Certified Public Accountant (Firm Name) KPMG LLP			
Street Address 150 West Jefferson, Suite 1200			
Accountant Signature KPA6 LLP	City Detroit	State MI	ZIP 48226
		Date 8/31/05	

**CHARTER COUNTY
OF WAYNE, MICHIGAN**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2003**

**PREPARED BY:
DEPARTMENT OF
MANAGEMENT & BUDGET**

CHARTER COUNTY OF WAYNE, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2003

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTORY SECTION	
Letter of Transmittal	I-1
Government Finance Officers Association (GFOA) Certificate of Achievement	I-6
List of Principal Officials	I-7
Organizational Chart	I-8
II. FINANCIAL SECTION	
Independent Auditors' Report	II-1
Management's Discussion and Analysis	II-3
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statement of Net Assets	II-17
Statement of Activities	II-19
<i>Governmental Fund Financial Statements</i>	
Balance Sheet	II-21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	II-23
Statement of Revenues, Expenditures, and Changes in Fund Balances	II-24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	II-26
<i>Proprietary Fund Financial Statements</i>	
Statement of Net Assets	II-27
Statement of Revenues, Expenses, and Changes in Fund Net Assets	II-29
Statement of Cash Flows	II-30
<i>Fiduciary Fund Financial Statements</i>	
Statement of Fiduciary Net Assets	II-31
Statement of Changes in Fiduciary Net Assets	II-32

CHARTER COUNTY OF WAYNE, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2003

Page

II. FINANCIAL SECTION, Continued:

Component Unit Financial Statements

Statement of Net Assets II-33

Statement of Activities II-35

Index - Notes to Basic Financial Statements II-36

Notes to Basic Financial Statements II-37

Required Supplementary Information (Other than Management's Discussion and Analysis)

Budgetary Comparison Schedules – Major Governmental Funds II-105

Notes to Required Supplementary Information II-110

Other Supplementary Information - Combining and Individual Fund Statements/Schedules

Non-major Governmental Funds (Special Revenue, Debt Service and Capital Projects Funds)

Combining Balance Sheet II-111

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances II-119

Budgetary Comparison Schedules II-127

Proprietary Funds

Internal Service Funds

Combining Statement of Net Assets II-149

Combining Statement of Revenues, Expenses and Changes
in Fund Net Assets II-151

Combining Statement of Cash Flows II-153

Non-major Enterprise Funds

Combining Statement of Net Assets II-155

Combining Statement of Revenues, Expenses and Changes
in Fund Net Assets II-156

Combining Statement of Cash Flows II-157

CHARTER COUNTY OF WAYNE, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2003

	<u>Page</u>
II. FINANCIAL SECTION, Continued:	
<i>Fiduciary Funds</i>	
Pension (and Other Employee Benefit) Trust Funds	
Combining Statement of Fiduciary Net Assets	II-158
Combining Statement of Changes in Fiduciary Net Assets	II-159
Agency Funds	
Combining Statement of Fiduciary Net Assets	II-160
Combining Statement of Changes in Assets and Liabilities	II-161
<i>Non-major Discretely Presented Component Units</i>	
Combining Statement of Net Assets	II-165
Combining Statement of Activities	II-167
 III. STATISTICAL SECTION:	
Table	
1. General Governmental Expenditures by Function	III-1
2. General Governmental Revenues by Source	III-3
3. Property Tax Levies and Collections	III-4
4. Assessed and Estimated Actual Value of Taxable Property	III-5
5. Property Tax Rates -- All Overlapping Governments	III-6
6. Principal Taxpayers for Fiscal Year 2003	III-7
7. Special Assessment Billings and Collections	III-8
8. Computation of Legal Debt Margin	III-9
9. Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	III-10
10. Ratio of Annual Debt Service Expenditures for General Long-term Debt to Total General Expenditures	III-11

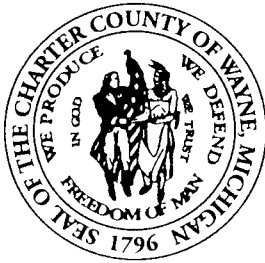
CHARTER COUNTY OF WAYNE, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2003

Page

III. STATISTICAL SECTION, Continued:

Table

11.	Statement of Limited Tax General Obligations and Revenue Indebtedness	III-13
12.	Revenue Bond Coverage – Enterprise Fund	III-15
13.	Demographic Information	III-17
14.	Property Value, Construction, and Bank Deposits	III-19
15.	Revenues by Source and Expenses by Type -- Pension (and other Employee Benefit) Trust Funds--Required Supplemental Information	III-21
16.	Analysis of Funding Progress – Pension (and other Employee Benefit) Trust Funds -- Required Supplemental Information	III-22
17.	Debt Service Requirements and Principal Retirement Schedule	III-23



Robert A. Ficano
County Executive

Wayne County Building
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Detroit, Michigan 48226
(313) 224-0286
Fax (313) 967-6558

July 15, 2005

To the Citizens of the Charter County of Wayne, Michigan:

The Comprehensive Annual Financial Report (CAFR) of Wayne County (the County) for the fiscal year ended September 30, 2003 (fiscal year 2003), is hereby submitted. The responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the accompanying data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and activities of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The County's financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent audit concluded that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended September 30, 2003 are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States (GAAP). The independent auditors' report is presented as the first component of the financial section of the CAFR and should be read in its entirety along with the financial statements.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the Schedule of Expenditures of Federal Awards, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the County's separately issued Single Audit Report and can be obtained from the Department of Management and Budget, Wayne County Building; 600 Randolph, 5th floor; Detroit, MI 48226.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

GOVERNMENTAL STRUCTURE

The County is located in southeastern Michigan, encompassing approximately 623 square miles. It is made up of 33 cities, including the City of Detroit, 10 townships, 1 village, and 41 public school districts. Its population of approximately 2 million makes it the most populous County in the State of Michigan and the eighth most populous County in the nation.

The County was incorporated under Act No. 293, Public Acts of Michigan, 1967, as amended. It is governed by a Chief Executive Officer (County Executive), who is elected on an at-large basis for a four-year term and a County Commission (the Commission) comprised of 15 members elected on a partisan basis for two-year terms. The Commission serves as the legislative branch of the County. It is responsible for establishing policy and the County budget. The County also elects the following officials on an at-large basis for four-year terms: County Clerk, Register of Deeds, Prosecuting Attorney, Sheriff and County Treasurer. The County Clerk and the Register of Deeds are responsible for the general recording of official records. The Prosecuting Attorney and Sheriff are responsible for providing quality law enforcement to all people of the County. The Treasurer is responsible for the receipt, custody, and investment of all County funds and the collection of taxes.

The County has primary funding responsibility for the Third Circuit and Probate Courts, although both are legally separate entities and are reported as discretely presented component units. The Courts are responsible for judicial proceedings within the County. There are three separate divisions of Third Circuit Court: civil, criminal, and family court. The civil division is assigned 25 judges for the resolution of general civil cases. The criminal division is assigned 32 judges and has sole jurisdiction over felonies and high misdemeanors. The family court division has responsibility for hearing both domestic relations and juvenile cases. Probate Court has eight judges who have jurisdiction in all matters related to settlement of estates, trusts and appointment of trustees.

The annual budget serves as the foundation for the County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the Budget Division in the Department of Management and Budget on or before the 1st of March each year. The Budget Division uses these requests as the starting point for developing a proposed budget. The County Executive submits the proposed operating budget to the Commission for review prior to June 1st. After public hearings to obtain taxpayers' comments, the Commission legally enacts the budget through the passage of the appropriations ordinance. The appropriated budget for the General Fund is adopted by function (e.g., general government, public safety, public works, etc). Amendments to appropriations that change the County's appropriations ordinance require the approval of the Commission. Certain transfers within line items that do not affect aggregate departmental appropriations may be made without the Commission's approval.

A budgetary comparison schedule is provided in the CAFR for the General Fund and each major special revenue fund for which an appropriated annual budget has been adopted. These schedules, and the accompanying notes, are presented as required supplementary information on pages II-105 through II-110. The budgetary comparison schedules for other non-major governmental funds with appropriated annual budgets are presented as other supplementary information and begin on page II-127.

FACTORS AFFECTING FINANCIAL CONDITIONS

Local Economy. The County like other local governments across the United States has struggled with a shrinking revenue base for the last few years. State budget problems have reduced revenue sharing to the County and as a result, indirectly forced additional cost on the budget. The County has trimmed payrolls, reduced non-essential services, reorganized departments to gain efficiencies, implemented a hiring freeze and eliminated out of state travel, except for functions critical to the County's mission. That being said, balancing fiscal year 2003 operations was not an easy task. Recognizing that passing fiscal burdens to future generations was not an option, the Administration took a look at the organization of the County and in June 2003, the Commission approved the County Executive's Reorganization Plan. This plan merged certain units together to create one division or department. As a result, duplicative functions were eliminated, and operating costs were reduced. In addition, all departments were requested to review their operations and make a 10% cut without impacting the delivery of services to the citizens or loss of jobs. The County was able to meet those targets and end fiscal year 2003 with a surplus of \$337,311.

In line with the mission, "Innovation in an Era of Contraction", the County is investing more in technology to improve services and save tax dollars. The Road Infrastructure Management System (RIMS), an intelligent transportation system, is just one example where the County is becoming more efficient as it maintains operations and improves the roads. Coupled with the RIMS project is the Wayne County Hotline, where citizens can call to report inefficiencies or waste in worker productivity.

During fiscal year 2003, the Greater Wayne County Economic Development Corporation (GWCEDC) was formed. This corporation, made up of the Detroit Regional Chamber, the Greater Economic Growth Corporation, the City of Detroit, the Arab American Chamber, the Booker T. Washington Business Association Leadership, the Chaldean American Chamber of Commerce and other small business and stakeholders will foster business expansion and growth. The first project for the GWCEDC is to conduct the feasibility of opening a second border crossing for truck and rail traffic between the United States and Canada.

With the events of September 11, 2001 and the implementation of more stringent procedures for entering and exiting both countries, trucks are delayed on the Ambassador Bridge and the Tunnel. That delay slows down just-in-time delivery, which slows down the economy. A second border crossing appears to be the solution to keep the County's economic engine humming. Therefore, the GWCEDC along with the Teamsters, the United Auto Workers, the Detroit Renaissance, the Michigan Congressional delegates, and Canada are joined together for this project.

In conjunction with the formation of the GWCEDC, the business community continues to support the County as they expand their operations. The auto industry, General Motors Corporation and Daimler Chrysler all have reinvested dollars in out County areas as they build new facilities and relocate some of their operations from the suburbs to Wayne County. The General Motors Corporation for example, is currently in the process of relocating its Onstar Program to downtown Detroit creating approximately 800 new jobs. In addition, Visteon Corporation will open its corporate headquarters and research facilities in Western Wayne County.

Long-Term Financial Planning. The State of Michigan, like many other states, has been faced with stagnant revenues and persistent spending pressures over the past three years. In an attempt to balance its budget for fiscal year ending September 30, 2005, the Governor suspended state revenue sharing funding to counties of approximately \$183 million and enacted Public Act 357 of 2004 which provides a new funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, requires the establishment of a County restricted fund to be known as the Revenue Sharing Reserve Fund (RSRF). The shift of property tax collection and the creation of the RSRF are based on the County's operating millage only - not special millages.

The gradual shift from a winter tax levy to a summer tax levy will occur as follows: in 2005, 1/3 of the County's allocated mills will be levied in the summer; in 2006, 2/3 of the County's allocated mills will be levied in the summer; and in 2007, and each year after, all of the County's allocated mills will be levied in the summer.

Three payments, the sum total of which equals the County's December 2004 property tax levy, must be placed in the RSRF from the following levies: 1/3 from the County's December 2004 property tax levy; 1/3 from the County's December 2005 property tax levy; and 1/3 from the County's December 2006 property tax levy.

When the County has withdrawn all of the available funding from the RSRF, the State will then resume revenue sharing payments. It is anticipated that the County will not collect revenue sharing from the State of Michigan until approximately 2010.

Annually, the County may make use of the RSRF in amounts equal to its October 1, 2003 through September 30, 2004 revenue sharing payments adjusted for inflation. The inflation rate is defined by MCL 211.34d(1)(l).

The County's statutory guarantee to receive revenue sharing payments from the State shall remain in full force and effect, but the payments shall be credited by the amount the County is able to withdraw funds from the RSRF. When the RSRF is depleted, the State will immediately resume its obligation to make revenue sharing payments. The County's statutory guarantee to receive revenue sharing payments shall supersede the current sunset provision in the revenue sharing statute.

On August 29, 2002, the Magna Entertainment Corporation (MEC) applied for a racetrack license with the Michigan Racing Commissions Office to own and operate a new racetrack in the City of Romulus, Michigan. The Michigan Downs as it will be called, will be a dual-purpose facility that would host both thoroughbred and standard bred racing. The \$10 million facility will be constructed in two phases. Phase One will involve the construction of a 165,000 square foot entertainment pavilion as well as the thoroughbred facility with a 1 1/8 mile dirt track and a 1-mile turf track. Phase One will also involve the construction of an adjacent research and development office building of approximately 25,000 square feet. Phase Two will include retail, commercial office, hotel, residential, and civic components. It has been determined that this stage will be driven largely by market and economic conditions and that upon successful completion of the track and pavilion, the City and County will be able to show prospective businesses the advantages of locating at Michigan Downs. From an economic standpoint, the vast majority of the costs to construct Michigan Downs will be spent in the State and ultimately the County. This means the creation of approximately 360 direct jobs, and approximately 250 indirect jobs when all sources of employment are considered. On May 17, 2005, the City of Romulus was granted a racetrack license by the Office of the Racing Commissioner.

FINANCIAL INFORMATION

Cash Management. State statutes govern the County's investment policies. Cash reserves during the year were invested in certificates of deposit, commercial paper, money market pooled funds, repurchase agreements, U.S. government obligations, and government insured and other mortgages. The Pension Trust funds' investment portfolio also included mutual funds, corporate bonds, common stock, government insured and other mortgages, and promissory notes. The County administers an aggressive cash management and investment program, the primary goals of which are to maximize the amount of cash available for investments, and to earn the maximum financial return on available funds consistent with prudent fiscal management. To accomplish these goals, the County combines the cash resources of several individual funds to form cash and investment pools, thus realizing the advantage of greater leverage in the financial markets.

Risk Management. The County is self-insured for worker's compensation, certain health benefits and claims, litigation and assessments. Accruals for claims, litigation, and assessments are recorded in the governmental fund financial statements when those amounts will be paid from available and expendable financial resources. All other amounts are reflected in the government-wide financial statements if probable of loss and estimable in amount. Health insurance claims that are probable of loss and estimable in amount have been recorded in an internal service fund. As of September 30, 2003 the County, through annual charges and interest earnings, provided for all actuarially projected losses and has accumulated net assets of \$13.7 million in its internal service funds for these benefits.

Pensions and Other Postemployment Benefits. The County provides retirement benefits to its employees through the Wayne County Employee's Retirement System, a single-employer public employee retirement system that is governed by the Wayne County Retirement Ordinance, as amended. Each year an independent actuary engaged by the Retirement Board of Commissioners calculates the amount of the annual contribution that the County must make to the pension plans to ensure that the plans will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the County fully funds each year's annual required contribution to the plans as determined by the actuary. As of September 30, 2003, the plans were fully funded.

The County also provides postretirement health and dental care benefits for retirees and their dependents. As of September 30, 2003, there were 5,833 retired employees eligible for these benefits, which are financed on a pay-as-you-go basis. Currently, GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the year ended September 30, 2002. This was the seventh consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR. The Certificate of Achievement is a prestigious national award, which recognizes conformance with the highest standards for preparation of a state and local government financial report. It is valid for a period of one year only. Every year the County submits its CAFR to the GFOA to determine its continued eligibility for the Certificate of Achievement for Excellence in Financial Reporting.

For the tenth year in a row, the County received the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2003. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization. Every year the County submits its budget document to the GFOA to determine its continued eligibility for the Distinguished Budget Presentation Award.

In December 2002, the County received the Award for Outstanding Achievement in Popular Financial Reporting for the year ended September 30, 2002 from GFOA. The popular annual financial report (PAFR) is a condensed version of the CAFR, available to all residents of the County. The PAFR highlights County services and provides summarized financial information. This is the sixth consecutive year that the County received this award. Every year the County submits its PAFR to the GFOA to determine its continued eligibility for the Award for Outstanding Achievement in Popular Financial Reporting.

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Department of Management and Budget. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We would also like to express our appreciation to the County Executive, and his staff, for their leadership and continued support of the policies of this Department.

Sincerely,



Carla E. Sledge
Chief Financial Officer


Dinah Tolbert
Director of Accounting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Wayne County,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

COUNTY EXECUTIVE

Robert A. Ficano

DEPUTY COUNTY EXECUTIVE

Azzam E. Elder

CHIEF OF STAFF

Nancy E. Mouradian

DEPARTMENT HEADS

Children & Family Services

Dr. Arthur M. Carter

Corporation Counsel

Vacant

Environment

Kurt L. Heise

Health & Human Services

Dorothy V. Gonzales

Homeland Security/Emergency Management

James Buford

Economic and Neighborhood Development

Dr. Mulugetta Birru

Management & Budget

Carla E. Sledge

Personnel/Human Resources

Timothy R. Taylor

Public Services

Cameron G. Priebe

Senior Citizens & Veterans Affairs

Kevin F. Kelley

Technology

Larry L. Simmons, Sr.

WAYNE COUNTY COMMISSION

Jewel C. Ware, **Chairwoman**

John J. Sullivan, **Vice Chair**

Edward A. Boike, Jr., **Vice Chair Pro Tempore**

Laura Cox

Kay Beard

Alisha R. Bell

Moe Blackwell

Christopher F. Cavanagh

Phillip M. Cavanagh

Keith D. Williams

Gary Woronchak

Kwame Kenyatta

Joseph Palamara

Bernard Parker

Ilona Varga

OTHER ELECTED OFFICIALS

Circuit Court

Chief Judge Mary Beth Kelley

County Clerk

Cathy M. Garrett

Probate Court

Chief Judge Milton L. Mack, Jr.

Prosecuting Attorney

Kym L. Worthy

Register of Deeds

Bernard J. Youngblood

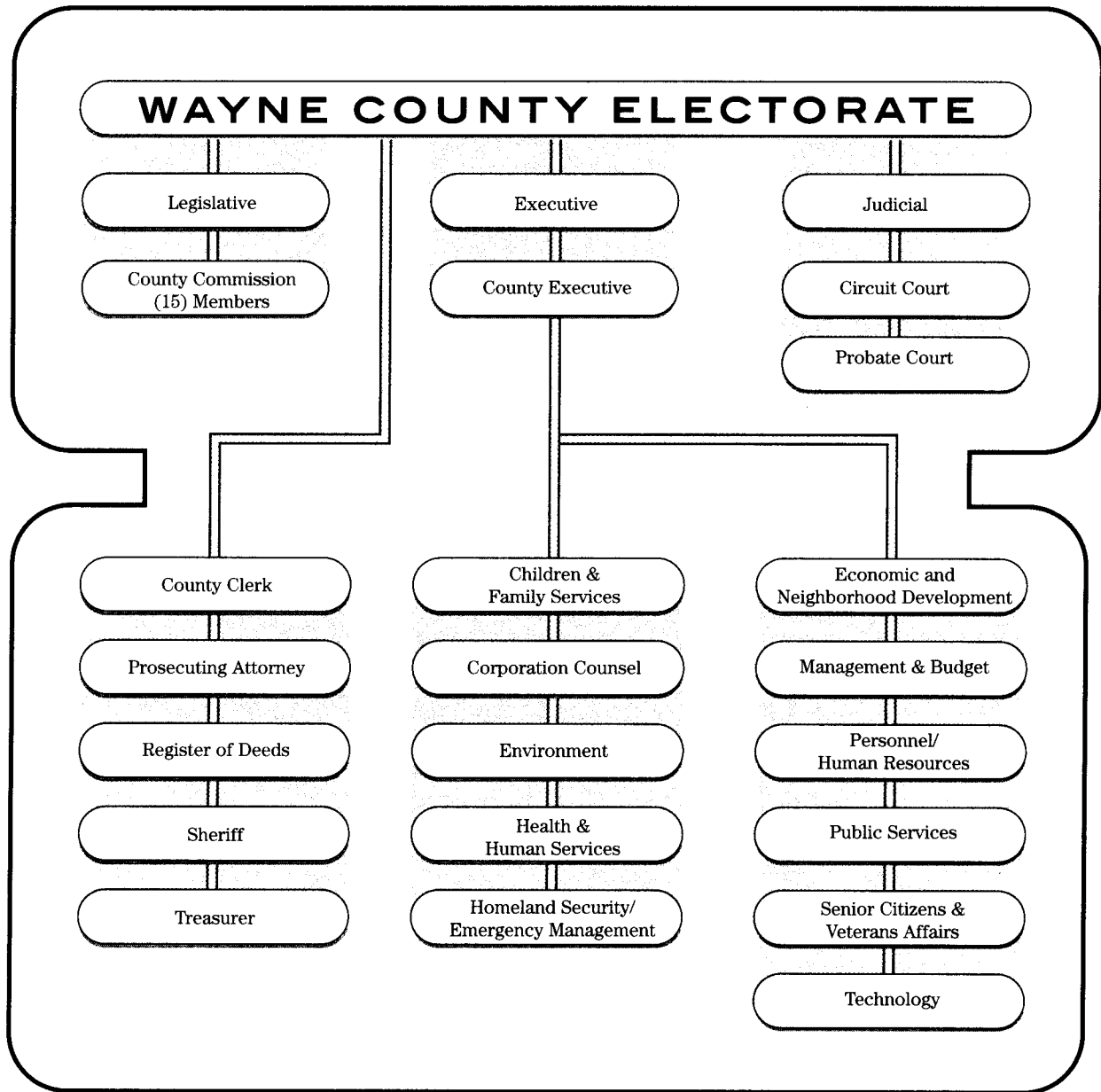
Sheriff

Warren C. Evans

Treasurer

Raymond J. Wojtowicz

ORGANIZATIONAL CHART





KPMG LLP
Suite 1200
150 West Jefferson
Detroit, MI 48226-4429

Independent Auditors' Report

County Executive and County Commissioners
Charter County of Wayne, Michigan:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter County of Wayne, Michigan (the County) as of and for the year ended September 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Detroit-Wayne County Stadium Authority, which represents 21.8% and 5.9%, respectively, of the assets and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Pension Trust Funds, which represent 81.0% and 50.0%, respectively, of the assets and revenues/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Detroit-Wayne County Stadium Authority and the Pension Trust Funds, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter County of Wayne, Michigan as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 15, 2005 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.



The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages II-3 through II-16, the budgetary comparison information on pages II-105 through II-110, and the Schedule of Funding Progress and Summary of Actuarial Methods and Assumptions on pages II-93 and II-94 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

KPMG LLP

Detroit, Michigan
July 15, 2005

COUNTY OF WAYNE, MICHIGAN MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Charter County of Wayne, Michigan's ("County") financial performance, provides an overview of the financial activities for the fiscal year ended September 30, 2003. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements that follow.

FINANCIAL HIGHLIGHTS—PRIMARY GOVERNMENT

Government-Wide Highlights:

Net Assets—The assets of the County exceeded its liabilities at fiscal year end, September 30, 2003, by \$1.8 billion (presented as "net assets"). Of this amount, \$299.7 million was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the County's ongoing obligations to citizens and creditors.

Changes in Net Assets—The County's total net assets decreased by \$12.5 million (.7 percent decrease) for the fiscal year ended September 30, 2003. Net assets of governmental activities increased by \$3.4 million (.1 percent increase), while net assets of the business-type activities decreased by \$16.0 million (3.1 percent decrease).

Fund Highlights:

Governmental Funds—Fund Balance— The County's governmental funds reported a combined ending net fund balance of \$135.9 million for the fiscal year ended September 30, 2003. Of this total amount, \$47.8 million represents the total net unreserved fund balance. The net unreserved, fund balance relates primarily to the General Fund, \$14.5 million; Roads, \$17.3 million; Mental Health, \$27.5 million; Parks, a non-major fund, \$7.9 million; the Budget Stabilization (Rainy Day) Fund, a non-major fund, \$5.2 million; while the Juvenile Justice Abuse/Neglect Fund, a major fund, reported a fund deficit of \$10.5 million.

Long-term Debt:

The County's total long-term debt obligations increased by \$10.7 million (2.0 percent) during the year. This increase represents the net difference between new issuances, \$93.8 million and payment on outstanding debt, \$83.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the County's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information including budgetary schedules and combining financial statements in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The government-wide financial statements provide a broad view of the County's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the County's financial position, which assists in assessing the County's economic condition at the end of the fiscal year. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most commercial businesses. All revenues earned and

expenses incurred connected with the fiscal year have been included, even if cash involved has not been received or paid. The government-wide financial statements include two statements.

The *Statement of Net Assets* (pages II-17 and II-18) presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* (pages II-19 and II-20) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the County.

Both of the above financial statements have separate sections for the three different types of County programs or activities. These three types of activities are:

Governmental Activities—The activities in this section are mostly supported by property taxes and inter-governmental revenues (federal and state grants and contracts). Most services normally associated with County government fall into this category, including legislative, judicial, general government, public safety, public works, highways, streets and bridges, health and welfare, recreation and cultural and non-departmental.

Business-type Activities—These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the County include the operations of the sewage disposal systems, jail commissary, parking lots and the wetlands mitigation project. These programs operate with minimal assistance from the governmental activities of the County.

Discretely Presented Component Units—Component units are legally separate organizations for which the County has financial accountability or other financial interest. These entities operate as governmental entities similar to the governmental activities described above except for the Wayne County Airport Authority, which operates like the business-type activities described above. The County's discretely presented component units are presented in two categories, major and non-major. This separation is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units. The two discretely presented major component units are the Wayne County Airport Authority and Third Circuit Court.

There are eight discretely presented non-major component units that are combined into a single column for reporting in the fund financial statements. These non-major component units include:

- Wayne County Stadium Authority
- Chapter 8 Drainage District
- Chapter 20 Drainage District
- Chapter 21 Drainage District
- Probate Court
- Economic Development Corporation
- Brownfield Redevelopment Authority
- HealthChoice of Michigan

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the County's component units are presented in the notes to the financial statements.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the County government, reporting the County's operations in more detail than the government-wide financial statements. All of the funds of the County can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

Governmental Funds—Most of the basic services provided by the County are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the County's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the County.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. A reconciliation is presented on the page immediately following each governmental fund financial statement (pages II-23 and II-26, respectively).

The following summarizes the impact of transitioning from modified accrual accounting:

- Capital assets used in governmental activities are not reported in the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in the governmental fund statements, but not deferred in the government-wide financial statements.
- Internal service funds are reported as governmental activities in the government-wide financial statements, but are reported as proprietary funds in the fund financial statements.

- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, bonds and notes payable, and others only appear as liabilities in the government-wide financial statements.
- Capital outlay spending results in capital assets in the government-wide financial statements, but are reported as expenditures in the governmental fund statements.
- Bond and note proceeds result in liabilities in the government-wide financial statements, but are recorded as other financing sources in the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures in the governmental fund statements.

The County has 32 governmental funds; five are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental funds balance sheet (pages II-21 and II-22) and in the governmental funds statement of revenues, expenditures, and changes in fund balances (pages II-24 and II-25). Data from the other 27 governmental funds are combined into a single aggregated presentation (pages II-22 and II-25). The County's five major governmental funds are: the General Fund, Roads, Mental Health, Health, and Juvenile Justice and Abuse/Neglect. Individual fund data for the non-major governmental funds is provided in the combining and individual fund statements/schedules (pages II-111 to II-148).

Proprietary Funds—Wayne County uses two different types of proprietary funds. Enterprise funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Internal service funds are used as an accounting device to allocate costs internally among the County's various functions. The County uses internal service funds to account for its central services, Department of Environment administrative costs, risk management services (insurance), equipment lease financing, and building and grounds maintenance. Because the internal service funds predominantly benefit governmental rather than business-type functions, they have been included as governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. A reconciliation has been provided between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The County has eight enterprise funds, four of which are considered as being major proprietary funds for presentation purposes. Major funds include the operations of the Delinquent Tax Revolving Fund, the Downriver Sewage Disposal System, the Rouge Valley Sewage Disposal System and the Combined Sewer Overflow Disposal (CSO) Basins. Data from the other four enterprise funds are combined into a single aggregated presentation, as are all of the internal service funds. Individual fund data for all of the non-major enterprise funds is provided in the combining fund statements (II-155 to II-157). The major proprietary fund financial statements can be found immediately following the governmental fund financial statements (pages II-27 to II-30).

Fiduciary Funds—These funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. These funds use the accrual basis of accounting.

The County's fiduciary funds include the Pension (and Other Employee Benefit) Trust Funds (two separate pension benefit plans for employees and a defined contribution plan) and the Agency

Funds (which account for the assets held for distribution by the County as an agent for other governmental units, other organizations or individuals). Agency funds include Trust and Agency; Undistributed Tax; Library Penal Fines; Retainages; Imprest Payroll and Imprest Retirement Payroll. Individual fund detail can be found in the combining financial statements. The fiduciary funds financial statements can be found immediately following the proprietary fund financial statements (pages II-31 and II-32).

Component Units— As mentioned on page II-4, these are operations for which the County has financial accountability or other financial interest but component units have certain independent qualities as well. All County component units operate as governmental enterprises except for the Wayne County Airport Authority, a business-type enterprise. The government-wide financial statements present information for the discretely presented component units in one column for both governmental activities and business-type activities in the Statement of Net Assets. The Statement of Net Assets and the Statement of Activities provide detail for each major component unit and the non-major component units in aggregate. Individual non-major component unit detail can be found in the combining financial statements described below under Other Supplementary Information. The combining financial statements for major component units can be found immediately following the fiduciary funds (pages II-33 to II-35).

Notes to the Financial Statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the component unit financial statements (pages II-36 to II-104).

Additional Required Supplementary Information—The basic financial statements are followed by a section of additional required supplementary information. This section includes a budgetary comparison schedule for each of the major governmental funds and the accompanying notes (pages II-105 to II-110).

Other Supplementary Information—The combining financial statements referred to earlier include budgetary comparison schedules for the non-major governmental funds. In addition, combining financial statements for the internal service funds, non-major enterprise funds, fiduciary funds and non-major component units are presented following the required supplementary information. The total columns of these combining financial statements carry to the applicable fund financial statement. The Other Supplementary Information data begins on page II-111.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The County's combined net assets (government and business-type activities) totaled approximately \$1.8 billion at the end of fiscal year 2003, as illustrated in the table of page II-8.

The largest portion of the County's net assets, \$1.3 billion (76 percent), reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Charter County of Wayne, Michigan
Net Assets-Primary Government
As of September 30 (in thousands)

	Governmental Activities		Business-Type Activities		Totals Primary Government	
	2003	2002	2003	2002	2003	2002
Current assets	\$ 427,878	401,500	89,265	86,783	\$ 517,143	488,283
Capital assets	1,352,976	1,370,268	471,871	488,649	1,824,847	1,858,917
Other non-current assets	82,560	86,537	234,411	246,218	316,971	332,755
Total assets	<u>1,863,414</u>	<u>1,858,305</u>	<u>795,547</u>	<u>821,650</u>	<u>2,658,961</u>	<u>2,679,955</u>
Current liabilities	292,687	314,168	52,519	46,207	345,206	360,375
Non-current liabilities	<u>318,076</u>	<u>294,909</u>	<u>241,668</u>	<u>258,128</u>	<u>559,744</u>	<u>553,037</u>
Total liabilities	<u>610,765</u>	<u>609,077</u>	<u>294,187</u>	<u>304,335</u>	<u>904,950</u>	<u>913,412</u>
Net Assets:						
Invested in capital assets, net of related debt	1,121,201	1,132,156	210,961	218,772	1,332,162	1,350,928
Restricted	116,567	107,936	5,598	23,508	122,165	131,444
Unrestricted	<u>14,882</u>	<u>9,136</u>	<u>284,801</u>	<u>275,035</u>	<u>299,684</u>	<u>284,171</u>
Total net assets	<u>\$ 1,252,650</u>	<u>1,249,228</u>	<u>501,360</u>	<u>517,315</u>	<u>\$ 1,754,011</u>	<u>1,766,543</u>

An additional portion of the County's net assets \$122.2 million (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$299.7 million (17.1 percent) may be used to meet the County's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

At the end of fiscal year 2003, the County is able to report positive balances in net assets for both the government and business-type activities.

Changes in Net Assets

A comparison of the cost of services by function for the County's governmental and business activities is shown in the table on page II-9, along with the revenues used to cover the net expenses of the governmental activities (expressed in thousands).

Charter County of Wayne, Michigan
Change in Net Assets-Primary Government
For the Year Ended September 30 (in thousands)

	Governmental Activities		Business-Type Activities		Totals Primary Government	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for services	\$ 146,440	135,296	67,682	66,935	\$ 214,122	202,231
Operating grants and contributions	788,897	796,512	4,415	8,580	793,312	805,091
Capital grants and contributions	8,278	8,998	1,890	1,406	10,168	10,405
General Revenues:						
Property taxes	378,551	362,891	-	-	378,551	362,891
Investment earnings	28,435	30,947	499	511	28,934	31,458
Inter-governmental	42,985	52,714	-	-	42,985	52,714
Other revenue	6,817	7,920	-	201	6,817	8,121
Transfers In/(Out)	(112)	-	112	-	-	-
Total revenues and transfers	1,400,291	1,395,278	74,598	77,633	1,474,889	1,472,911
Expenses:						
Legislative	11,412	11,876	-	-	11,412	11,876
Judicial	95,642	108,709	-	-	95,642	108,709
General government	138,170	129,032	-	-	138,170	129,032
Public safety	143,033	140,377	-	-	143,033	140,377
Public works	1,362	1,611	-	-	1,362	1,611
Highways, streets and bridges	136,368	191,949	-	-	136,368	191,949
Health and welfare	810,848	847,542	-	-	810,848	847,542
Recreation and cultural	25,316	20,370	-	-	25,316	20,370
Non-departmental	16,194	10,556	-	-	16,194	10,556
Interest on long-term debt	18,524	20,396	-	-	18,524	20,396
Sewage disposal systems	-	-	88,812	88,384	88,812	88,384
Jail commissary	-	-	1,519	1,894	1,519	1,894
Parking lots	-	-	204	274	204	274
Wetlands mitigation	-	-	18	349	18	349
Total expenses	1,396,869	1,482,420	90,553	90,901	1,487,422	1,573,321
Change in net assets	3,422	(87,142)	(15,955)	(13,268)	(12,533)	(100,410)
Net Assets at October 1	1,249,228	1,336,371	517,315	530,583	1,766,544	1,866,954
Net Assets at September 30	\$ 1,252,650	1,249,228	501,360	517,315	\$ 1,754,011	1,766,544

Charges for services represent departmental charges and fees that are established by resolutions, ordinances or state laws. Total funding amounted to \$214.1 million, a net increase of \$11.9 million over the prior year. The net increase in charges for services primarily reflects increases in fees and reimbursements for health and welfare and non-departmental activities, \$4.1 million and \$5.3 million, respectively. Program revenues from operating grants and contributions include federal, state and local grants and contributions. This total remained relatively stable and amounted to approximately \$793.3 million, a decrease of \$11.8 million over the prior year. Capital grants and contributions amounted to \$10.2 million, a net decrease of \$.2 million from the prior year. Property

taxes, \$378.6 million, comprise approximately 25.6 percent of the County's total revenue, and increased by \$15.6 million over the prior year reflecting the upward trend in home values for the region as well as home sales and new home construction. Investment earnings include interest and rental revenues on County properties. Investment earnings totaled \$28.9 million, a decrease of \$2.5 million over the prior year, primarily due to reduced market rates of interest on investments. Inter-governmental revenues, \$43.0 million, decreased by \$9.7 million over the prior year. Inter-governmental revenues include the County's share of state sales taxes and the proceeds from parking fees at the Detroit-Wayne County Metropolitan Airport. State revenue sharing payments are based on 21.3 percent of state sales taxes collected. Counties receive 25.6 percent of that amount. Revenues from state sales tax amounted to \$36.3 million, a decrease of \$3.4 million over the prior year and reflect reduced State payments. Airport parking taxes amounted to \$6.7 million, a decrease of \$6.3 million over the prior year and resulted from a change in the State law that reduced the airport parking tax from 30 percent of gross revenues to 15 percent and re-allocated the first \$6 million of parking fees collected back to the State. Other revenues include land sales, contractual police services, unclaimed monies, insurance and other recoveries. Other revenues totaled \$6.8 million, a net decrease of \$1.3 million over the prior year.

During the fiscal year, a one time transfer was made from the Worker's Compensation internal service fund to other County funds. These funds had overpaid their worker's compensation obligation. The internal balance of \$111,184 represents the transfer to the Downriver Sewage Disposal System, whose activities are included as business-type activities.

Governmental Activities

Judicial expenses include operating and capital costs for the Third Circuit and Probate Courts. Expenses totaled \$95.6 million; a decrease of \$13.1 million compared to the prior year and reflects reduced General Fund appropriations to the Third Circuit Court. Highways, streets, and bridges account for all Roads Fund construction and maintenance activity. Total costs amounted to \$136.4 million, a \$55.6 million or 29 percent decrease compared to the prior year. The net decrease resulted primarily from reduced road maintenance and construction activity. Health and welfare expenses decreased by \$36.7 million or 4.3 percent, as a result of an adjustment of accrued expenses for claims related to the Mental Health Fund.

Recreation and cultural expenses include all activities related to the County Parks and the Elizabeth Park Marina, non-major funds. Expenses totaled \$25.3 million, a net \$4.9 million or 24.3 percent increase compared to the prior year and related primarily to an increase in contractual services, \$2.7 million. Non-departmental expenses include rent paid for debt associated with the County's jails, other capital improvement projects, the refunding program revenue bonds, not-for-profit agencies and litigation settlements. Total expenses amounted to \$16.2 million, a net increase of \$5.6 million or 53.4 percent over the prior year. This increase relates primarily to increased costs for litigation, \$1.0 million and Building Authority rental obligations, \$4.9 million. Interest expense accounts for interest payments on long-term debt and amounted to \$18.5 million, a net decrease of \$1.9 million over the prior year, reflecting reduced payments for debt service. Overall, governmental activities increased the County's net assets by \$3.4 million.

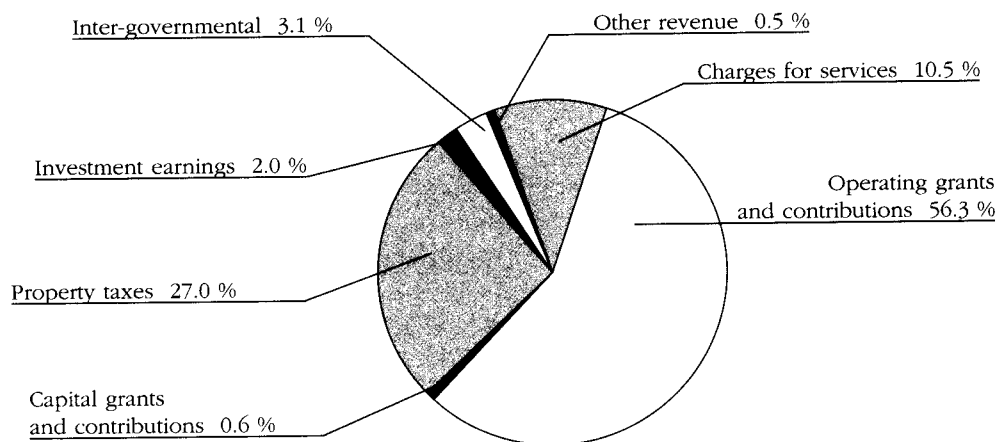
Business-type Activities

The business-type activities reduced the County's net assets by \$16.0 million for the year, compared to a reduction of \$13.3 million in the prior year. This reduction resulted primarily from decrease in net assets of \$14.8 and \$5.6 million, for the Downriver Sewage Disposal System and the CSO Basins, respectively, while the Rouge Valley Sewage Disposal System reported a \$4.3

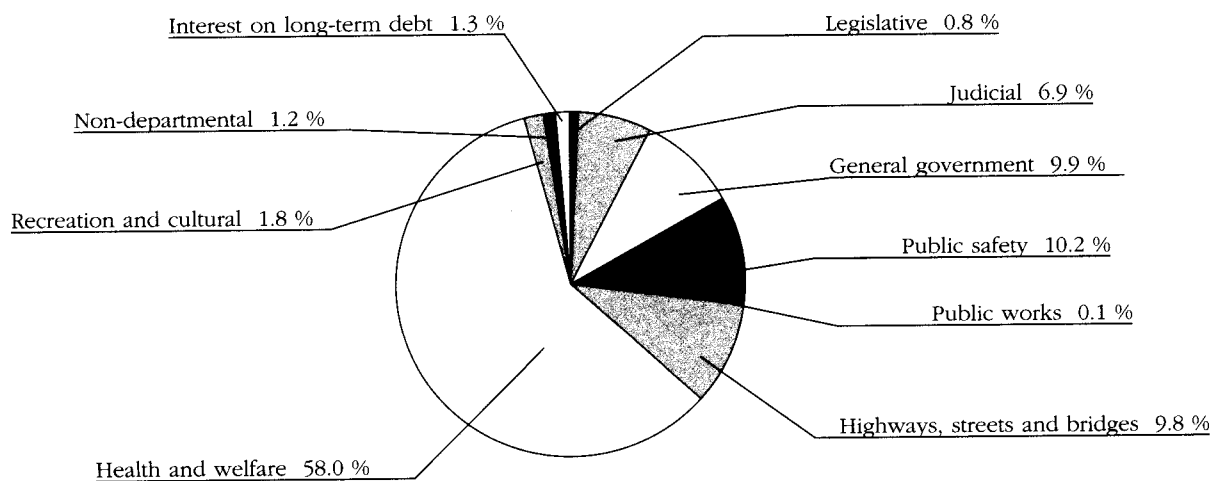
million increase in net assets. Net operating losses for Downriver resulted primarily from a shortfall in revenues, charges for services, \$0.7 million, and increased operating expenses, \$7.1 million, including contractual services, \$1.7 million, depreciation and amortization charges, \$4.6 million and miscellaneous operating expenses, \$0.7 million. Net operating losses for the CSO Basins resulted primarily from reduced charges for services, \$0.9 million and refund of surplus bond proceeds to participating local units, \$3.7 million. The Rouge Valley Sewage Disposal System increased revenues from charges for services by \$1 million, while reducing contractual service expenses for water and sewage charges by \$5.6 million.

Please refer to the pie charts below for categories of governmental revenue and expenditures and their relative significance to the County.

SUMMARY OF REVENUES



SUMMARY OF EXPENDITURES



FINANCIAL ANALYSIS OF THE COUNTY'S INDIVIDUAL FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$135.9 million, an increase of \$8.6 million in comparison with the prior year. This increase resulted primarily from (1) net operating losses in the Juvenile Justice and Abuse/Neglect Fund, \$10.5 million, as a result of incurring excess unbudgeted contractual service expenditures related to County programs and (2) transfers from the Budget Stabilization Fund, \$12.8 million. Unreserved fund balances at year-end amounted to \$47.8 million or 35.2 percent of this total, which is available for spending in the coming year. Fund balance of \$27.7 million has been designated for contingencies. The remainder of fund balance is reserved to indicate that it is not available for new spending, as it has already been committed to other obligations.

The General Fund is the chief operating fund of the County. At the end of the fiscal year, September 30, 2003, the unreserved fund balance in the General Fund was \$14.5 million, while the total fund balance was \$30.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3.7 percent of total General Fund expenditures, while total fund balance represents 7.8 percent of that same amount. The County's General Fund balance increased by \$.3 million during the current fiscal year.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The net \$2.4 million decrease between the original budget and the final amended budget was relatively minor. Overall, budgeted revenues decreased by \$6.4 million; including interest and rents, \$2.6 million; state grants and contracts, \$2.4 million; federal grants, \$0.6 million; and other revenues, \$0.8 million; while charges for services revenues increased by a \$4.0 million.

The net General Fund increase in fund balance, \$.3 million, was due primarily to a transfer in from the Worker's Compensation Fund of \$2.6 million and an increase in other revenues, \$1.8 million; charges for services, \$1.6 million, federal grants, \$2.5 million; offset by reductions in state and local grants and contracts totaling \$3.5 million and net expenditure overages of \$4.6 million.

Charter County of Wayne, Michigan
Budgetary Comparison Schedule
General Fund
For the year ended September 30, 2003 (in thousands)

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:				
Taxes	\$ 311,893	311,893	311,803	(90)
Licenses and permits	140	140	162	22
Federal grants	1,286	710	3,231	2,521
State grants and contracts	75,303	72,929	69,778	(3,151)
Local grants and contracts	10,617	10,484	10,149	(335)
Charges for services	60,212	64,223	65,821	1,598
Interest and rents	4,500	1,950	1,900	(50)
Other revenues	18,570	17,795	19,643	1,848
Total revenues	482,521	480,124	482,487	2,363
Expenditures:				
Current operations:				
Legislative	11,808	12,248	11,399	(849)
Judicial	95,418	93,227	92,752	(475)
General government	92,429	94,238	88,528	(5,710)
Public safety	119,295	120,302	122,380	2,078
Public works	1,642	1,474	1,362	(112)
Health and welfare	50,747	54,625	64,177	9,552
Non-departmental	13,919	14,059	13,928	(131)
Capital outlay	-	-	291	291
Total expenditures	385,258	390,173	394,817	4,644
Excess of revenues over expenditures	97,263	89,951	87,670	2,281
Other financing uses:				
Transfers in	22,766	23,116	25,791	2,675
Transfers out	(120,029)	(113,067)	(113,124)	(57)
Total other financing uses	(97,263)	(89,951)	(87,333)	2,618
Net change in fund balance	-	-	337	337
Fund balance at October 1, 2002	30,423	30,423	30,423	-
Fund balance at September 30, 2003	\$ 30,423	30,423	30,760	337

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of September 30, 2003, amounted to \$3.0 billion, net of accumulated depreciation of \$1.2 billion, leaving a net book value of \$1.8 billion. Investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets include items that are normally immovable and of value only to the County, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

Charter County of Wayne, Michigan
Capital Assets, Net - Government-wide Financial Statements
As of September 30 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land and improvements	\$ 551,136	551,350	\$ 4,901	4,902	\$ 556,037	556,252
Buildings and improvements	169,888	173,637	82,549	86,944	252,437	260,581
Machinery, equipment and vehicles	27,192	36,688	158	184	27,350	36,872
Infrastructure	582,954	607,019	384,107	387,402	967,061	994,421
Construction in progress	21,806	1,574	155	9,218	21,961	10,792
Total	<u>\$ 1,352,976</u>	<u>1,370,268</u>	<u>\$ 471,870</u>	<u>488,649</u>	<u>\$ 1,824,846</u>	<u>1,858,917</u>

The total decrease in the County's gross investment in capital assets for the current fiscal year was 2 percent. However, actual expenditures to purchase or construct capital assets amounted to \$85.6 million for the year. Acquisition of land adjacent to highways and streets accounted for \$40.7 million or 48 percent of total additions. Additional information on the County's capital assets can be found in Note 8 of the notes to the financial statements of this report, starting on page II-55.

Debt Administration

County government, which exists by authority of the State, has only those duties and powers specifically given it in the State Constitution and/or by statute, including authority for the issuance of debt instruments, which must also be authorized by resolution or ordinance adopted by the County Commission. To facilitate the delivery of mandated services to its citizens, it is necessary from time to time to fund capital improvements or additions to sewer, water, and drainage systems and road and highway systems.

Debt obligations may pledge repayment from one or more of three sources:

- (1) The County's full faith and credit, based on its taxing power outside the 15-mill limitation, if approved by the voters. Such debt instruments are designated as "unlimited tax general obligations".
- (2) The County's full faith and credit, based on its taxing power within applicable limits. Such debt instruments are designated as "limited tax general obligations."

- (3) Revenues from facilities or enterprises financed by the issuance of the debt, designated as "revenue obligations" of the County.

The County has issued limited tax general obligation bonds payable from general unrestricted revenues of the County for general operating and other purposes, and has financed capital construction associated with sewer, water, and drainage projects, roads, airports, and sports facilities. The County's debt limit is capped at 10 percent of its State Equalized Valuation (SEV) or \$5.4 billion at September 30, 2003. The County's bond ratings have steadily improved from 1986 to the present. Upgrades have been assigned 13 times over that period. Current bond ratings for uninsured debt issues assigned by the major Bond Rating Agencies include Moody's (A3), Standard & Poor's (A), and Fitch (A).

General obligation bonds are backed by the full faith and credit of the County, including the County's power to levy additional taxes to ensure repayment of the debt. The County's total long-term obligations of \$662.9 million at year-end increased by \$19.4 million, 3 percent, over the prior year. Of this increase, \$11.4 million is attributable to claims of the Mental Health Fund. In addition, the County issued limited tax (general obligation) notes amounting to \$82.8 million. These notes were issued to finance the purchase of delinquent taxes (declared delinquent on March 1, 2003). See the table below for the County's outstanding bonds and notes payable. Additional information on the County's other long-term obligations can be found in Note 11 of the notes to the financial statements of this report beginning on page II-72.

Outstanding Bonded Debt as of September 30
(in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General obligation bonds (backed by the County):	\$ 208,655	131,299	253,605	266,531	\$ 462,260	397,830
Deferred loss on refunding	-	-	(2,255)	(2,442)	(2,255)	(2,442)
Total general obligation bonds, net of bond discount and loss on refunding	<u>208,655</u>	<u>131,299</u>	<u>251,350</u>	<u>264,089</u>	<u>460,005</u>	<u>395,388</u>
Revenue bonds and notes (backed by specific tax and fee revenues):	88,366	137,912	5,535	5,960	93,901	143,872
Deferred loss on refunding	-	-	(157)	(171)	(157)	(171)
Bond discount	(3,923)	-	-	-	(3,923)	-
Total revenue bonds, net of loss on refunding	<u>84,443</u>	<u>137,912</u>	<u>5,378</u>	<u>5,789</u>	<u>89,821</u>	<u>143,701</u>
Total bonds and notes payable, net of bond discounts and loss on refundings	<u>\$ 293,098</u>	<u>269,211</u>	<u>256,728</u>	<u>269,878</u>	<u>\$ 549,826</u>	<u>539,089</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County projects a 5-6 percent General Fund budget shortfall for next fiscal year primarily as a result of the current recession, a reduction in state-shared revenues and interest earnings. The assessment rolls of the various cities and townships of the County indicate that Property tax values increased, as the total State Equalized Valuation for the County rose to \$53.8 billion, an increase of 9.7 percent over the prior year. Additionally, the total taxable valuation of the County, which serves as the basis for current and future tax levies, amounted to \$41.9 billion, an increase of 5.6 percent over the previous year.

The average annual unemployment rate for the County for calendar year 2003 increased to 8.6 percent, compared to the prior year rate of 7.2 percent. This rate exceeded the national average annual unemployment rate of 5.7 percent. The consumer price index and other inflation indices show modest increases for 2003 and remained relatively stable when compared to the prior year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all interested citizens, taxpayers, customers, investors, creditors and other stakeholders. In addition, it seeks to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided or requests for additional information should be addressed to: Charter County of Wayne, Michigan, Department of Management and Budget, Accounting Division, 600 Randolph Street, Detroit, Michigan 48226.

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Net Assets
As of September 30, 2003

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<u>Assets</u>				
Current assets:				
Equity in pooled cash and investments (Note 4)	\$ 169,665,917	17,268,924	\$ 186,934,841	\$ 20,064,570
Other cash and investments (Note 4)	37,007,482	-	37,007,482	39,939,565
Due from fidiciary funds (Note 10)	20,852	-	20,852	-
Due from component units (Note 10)	33,956,042	6,426	33,962,468	-
Due from primary government (Note 10)	-	-	-	685,851
Receivables:				
Delinquent property taxes	65,621,841	-	65,621,841	-
Accounts	51,137,769	3,256,367	54,394,136	30,096,030
Special assessments	-	-	-	26,671,049
Internal balances	118,640	(118,640)	-	-
Due from other governmental units (Note 10)	101,686,185	23,571,796	125,257,981	27,651,575
Total receivables	218,564,435	26,709,523	245,273,958	84,418,654
Less allowance for uncollectible accounts	(39,336,927)	(776,618)	(40,113,545)	-
Net receivables	179,227,508	25,932,905	205,160,413	84,418,654
Restricted assets:				
Equity in pooled cash and investments (Notes 4 and 5)	-	35,024,823	35,024,823	-
Other cash and investments (Note 4)	-	1,472,726	1,472,726	282,246,907
Accounts receivable (Note 5)	-	9,489,771	9,489,771	12,786,899
Supplies inventory	7,823,012	44,396	7,867,408	-
Prepayments and deposits	177,604	25,116	202,720	22,607
Total current assets	427,878,417	89,265,087	517,143,504	440,165,053
Non-current assets:				
Restricted assets:				
Other cash and investments (Notes 4 and 5)	-	-	-	46,026,291
Accounts receivable (Note 5)	-	2,388,288	2,388,288	-
Bond principal due from municipalities (Notes 4 and 5)	-	231,530,952	231,530,952	-
Capital assets (Note 8)				
Non-depreciable	567,780,184	5,043,676	572,823,860	294,023,960
Depreciable, net	785,196,333	466,827,178	1,252,023,511	2,567,032,702
Bond issuance costs, net of amortization	3,142,155	492,158	3,634,313	22,375,634
Other assets	-	-	-	2,334,543
Long-term receivables (Note 7)	79,416,804	-	79,416,804	-
Total non-current assets	1,435,535,476	706,282,252	2,141,817,728	2,931,793,130
Total assets	\$ 1,863,413,893	795,547,339	2,658,961,232	3,371,958,183

(Continued)

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Net Assets
As of September 30, 2003

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<u>Liabilities</u>				
Current liabilities:				
Accounts and contracts payable	\$ 64,693,442	13,113,197	\$ 77,806,639	\$ 26,181,167
Accrued wages and benefits	9,590,455	194,374	9,784,829	4,120,836
Due to fiduciary funds (Note 10)	916,527	229,955	1,146,482	-
Due to component units (Note 10)	685,851	-	685,851	-
Due to primary government (Note 10)	-	-	-	33,962,468
Due to other governmental units (Note 10)	41,483,324	37,277	41,520,601	2,519,788
Current portion of long-term obligations, net (Note 11)	113,118,716	-	113,118,716	7,646,886
Accrued interest	-	-	-	27,100,849
Other liabilities	53,718,286	5,463,778	59,182,064	14,340,567
Unearned revenue	-	-	-	2,234,382
Payable from restricted assets:				
Accounts payable	-	9,374,598	9,374,598	-
Current portion of long-term obligations (Note 11)	-	15,059,968	15,059,968	34,771,157
Unearned revenue	-	1,471,438	1,471,438	5,316,202
Other restricted liabilities	8,480,227	7,574,700	16,054,927	-
Total current liabilities	292,686,828	52,519,285	345,206,113	158,194,302
Non-current liabilities:				
Non-current portion of long-term obligations, net (Note 11)	293,099,542	-	293,099,542	1,813,592,331
Other liabilities	24,977,084	-	24,977,084	445,801
Payable from restricted assets:				
Bonds payable from restricted assets (Note 11)	-	241,667,691	241,667,691	-
Total non-current liabilities	318,076,626	241,667,691	559,744,317	1,814,038,132
Total liabilities	610,763,454	294,186,976	904,950,430	1,972,232,434
<u>Net Assets</u>				
Invested in capital assets, net of related debt	1,121,200,569	210,961,174	1,332,161,743	1,094,208,758
Restricted net assets for:				
Bond programs	34,547,694	5,597,729	40,145,423	139,054,512
Delinquent tax administration	35,206,722	-	35,206,722	-
Road construction	25,299,967	-	25,299,967	-
Capital projects	13,617,996	-	13,617,996	66,089,508
Capital improvements - parks	7,895,061	-	7,895,061	-
Drug enforcement	-	-	-	1,955,029
Airport operations	-	-	-	23,013,041
Unrestricted net assets	14,882,430	284,801,461	299,683,891	75,404,901
Total net assets	1,252,650,439	501,360,364	1,754,010,803	1,399,725,749
Total liabilities and net assets	\$ 1,863,413,893	795,547,339	2,658,961,232	3,371,958,183

See accompanying notes to basic financial statements.

(Concluded)

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Activities
For the year ended September 30, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
Legislative	\$ 11,411,617	-	-	-	\$ (11,411,617)
Judicial	95,641,722	-	22,127,425	-	(73,514,297)
General government	138,170,641	53,753,677	6,994,065	660,530	(76,762,369)
Public safety	143,033,539	31,025,293	15,577,351	-	(96,430,895)
Public works	1,361,556	149,994	-	-	(1,211,562)
Highways, streets and bridges	136,367,997	14,058,496	110,559,709	7,617,084	(4,132,708)
Health and welfare	810,848,226	36,016,844	632,920,825	-	(141,910,557)
Recreation and cultural	25,315,782	3,604,126	717,792	-	(20,993,864)
Non-departmental	16,193,940	7,831,229	-	-	(8,362,711)
Interest on long-term debt	18,523,682	-	-	-	(18,523,682)
Total governmental activities	1,396,868,702	146,439,659	788,897,167	8,277,614	(453,254,262)
Business-type activities:					
Sewage Disposal Systems	88,811,396	65,805,555	4,405,635	1,890,080	(16,710,126)
Jail Commissary	1,519,288	1,387,085	-	-	(132,203)
Parking Lots	204,126	482,715	-	-	278,589
Wetlands Mitigation	18,043	6,579	9,684	-	(1,780)
Total business-type activities	90,552,853	67,681,934	4,415,319	1,890,080	(16,565,520)
Total primary government	<u>\$ 1,487,421,555</u>	<u>214,121,593</u>	<u>793,312,486</u>	<u>10,167,694</u>	<u>\$ (469,819,782)</u>
Component units:					
Airport Authority	\$ 375,837,870	284,318,671	8,478,808	26,386,612	\$ (56,653,779)
Circuit Court	122,181,723	5,902,160	108,633,919	-	(7,645,644)
Probate Court	11,679,936	807,867	10,851,796	-	(20,273)
Stadium Authority	36,499,111	6,318,290	-	24,014,426	(6,166,395)
Drainage Districts	8,124,055	5,986,705	1,166,217	-	(971,133)
Economic Development Corporation	418,573	1,555	-	-	(417,018)
Brownfield Authority	35,801	12,903	29,094	-	6,196
HealthChoice of Michigan	22,728,941	22,438,551	-	-	(290,390)
Total component units	<u>\$ 577,506,010</u>	<u>325,786,702</u>	<u>129,159,834</u>	<u>50,401,038</u>	<u>\$ (72,158,436)</u>

(Continued)

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Activities
For the year ended September 30, 2003

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net expense from previous page	\$ (453,254,262)	(16,565,520)	\$ (469,819,782)	\$ (72,158,436)
General revenues:				
Property taxes, levied for general purposes	378,550,713	-	378,550,713	-
Investment earnings	28,434,900	499,367	28,934,267	6,348,963
State sales tax	36,295,009	-	36,295,009	-
Airport parking taxes	6,689,988	-	6,689,988	-
Other revenue	6,816,810	-	6,816,810	906,469
Transfers - internal activity	(111,184)	111,184	-	-
Total general revenues and transfers	456,676,236	610,551	457,286,787	7,255,432
Change in net assets	3,421,974	(15,954,969)	(12,532,995)	(64,903,004)
Net assets at October 1, 2002	1,249,228,465	517,315,333	1,766,543,798	1,464,628,753
Net assets at September 30, 2003	\$ 1,252,650,439	501,360,364	\$ 1,754,010,803	\$ 1,399,725,749

See accompanying notes to basic financial statements.

(Concluded)

CHARTER COUNTY OF WAYNE, MICHIGAN

Balance Sheet
Governmental Funds
As of September 30, 2003

	<u>General Fund</u>	<u>Roads</u>	<u>Mental Health</u>
<u>Assets</u>			
Equity in pooled cash and investments (Note 4)	\$ 15,057,818	29,333,229	-
Other cash and investments (Note 4)	366	2,475	12,350
Due from other funds (Note 10)	99,284,998	2,222,629	64,676,607
Due from component units (Note 10)	27,185,742	2,377,738	216,109
Receivables:			
Delinquent property taxes, net	5,755,461	-	-
Accounts receivable, net	1,028,424	1,749,992	9,620,806
Due from other governmental units, net (Note 10)	24,789,941	19,016,137	4,409,924
Total receivables	31,573,826	20,766,129	14,030,730
Supplies inventory, at cost	751,931	6,341,506	-
Long-term receivables (Note 7)	643,793	1,680,522	-
Total assets	<u>\$ 174,498,474</u>	<u>62,724,228</u>	<u>78,935,796</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts and contracts payable	\$ 21,831,592	2,034,589	20,162,035
Due to other funds (Note 10)	93,538,018	865,248	13,133,984
Due to component units (Note 10)	402,288	-	-
Due to other governmental units (Note 10)	11,685,132	17,316,037	12,482,155
Accrued wages and benefits	4,240,902	1,912,512	303,849
Other liabilities	5,541,599	15,295,875	4,608,144
Deferred revenue	6,498,689	-	772,853
Total liabilities	143,738,220	37,424,261	51,463,020
Fund balances:			
Reserved for:			
Due from other funds	14,847,549	-	-
Supplies inventory	751,931	6,341,506	-
Long-term receivables (Note 7)	643,793	1,680,522	-
Debt service	-	-	-
Capital projects	-	-	-
Unreserved, reported in :			
General Fund, undesignated	13,066,875	-	-
General Fund, designated for contingencies (Note 14)	1,450,105	-	-
Special revenue funds, undesignated	-	17,277,939	1,248,718
Special revenue funds, designated for contingencies (Note 14)	-	-	26,224,058
Total fund balances	<u>30,760,254</u>	<u>25,299,967</u>	<u>27,472,776</u>
Total liabilities and fund balances	<u>\$ 174,498,474</u>	<u>62,724,228</u>	<u>78,935,796</u>

See accompanying notes to basic financial statements.

<u>Health</u>	<u>Juvenile Justice and Abuse/Neglect</u>	<u>Total Major Funds</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
820,246	16,458,158	61,669,451	33,195,133	\$ 94,864,584
1,170	350	16,711	36,990,771	37,007,482
120,065	13,510,371	179,814,670	2,144,295	181,958,965
-	-	29,779,589	1,096,046	30,875,635
-	-	5,755,461	-	5,755,461
83,626	-	12,482,848	3,582,849	16,065,697
1,729,087	34,572,785	84,517,874	11,989,122	96,506,996
1,812,713	34,572,785	102,756,183	15,571,971	118,328,154
474,937	224,157	7,792,531	30,481	7,823,012
-	-	2,324,315	1,984,870	4,309,185
3,229,131	64,765,821	384,153,450	91,013,567	\$ 475,167,017
865,099	2,933,906	47,827,221	7,574,477	\$ 55,401,698
1,256,694	59,713,860	168,507,804	15,844,533	184,352,337
-	-	402,288	-	402,288
-	-	41,483,324	-	41,483,324
446,329	539,505	7,443,097	883,572	8,326,669
-	12,058,541	37,504,159	1,293,105	38,797,264
980,579	-	8,252,121	2,222,718	10,474,839
3,548,701	75,245,812	311,420,014	27,818,405	339,238,419
-	12,985,525	27,833,074	8,573	27,841,647
474,937	224,157	7,792,531	30,481	7,823,012
-	-	2,324,315	1,984,870	4,309,185
-	-	-	34,547,694	34,547,694
-	-	-	13,617,996	13,617,996
-	-	13,066,875	-	13,066,875
-	-	1,450,105	-	1,450,105
(794,507)	(23,689,673)	(5,957,523)	13,005,548	7,048,025
-	-	26,224,058	-	26,224,058
(319,570)	(10,479,991)	72,733,436	63,195,162	135,928,598
3,229,131	64,765,821	384,153,450	91,013,567	\$ 475,167,017

CHARTER COUNTY OF WAYNE, MICHIGAN
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
As of September 30, 2003

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances - total governmental funds		\$ 135,928,598
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	2,314,750,330	
Less accumulated depreciation	<u>(1,003,858,326)</u>	1,310,892,004
Internal service funds are used by management to charge the costs of certain activities, such as personnel, central services, information technology and insurance costs to individual funds. The assets and liabilities of certain internal service funds are recorded as governmental activities on the Statement of Net Assets.		30,442,448
Certain enterprise funds are used by management to issue short term debt and collect delinquent taxes. The assets and liabilities of the Delinquent Tax Fund is reported in the statement of net assets as a governmental activity since its purpose primarily serves the general government.		76,407,999
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.		10,474,839
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund		
Bond Costs	6,360,521	
Less accumulated amortization	<u>(3,218,359)</u>	3,142,162
Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental fund		
Governmental long term debt payable	(260,354,017)	
Discount	3,922,611	
Accrued interest payable	(8,480,227)	
Compensated Absences	(26,432,257)	
Claims, litigation and assessments	<u>(23,293,718)</u>	(314,637,608)
Net assets of governmental activities		<u>\$ 1,252,650,439</u>

See accompanying notes to basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2003

	<u>General Fund</u>	<u>Roads</u>	<u>Mental Health</u>
Revenues:			
Taxes	\$ 311,803,100	-	-
Licenses and permits	162,552	-	-
Federal grants	3,230,829	780,386	10,590,313
State grants and contracts	69,777,698	104,311,051	486,757,977
Local grants and contracts	10,148,709	7,536,378	-
Charges for services	65,821,341	12,727,419	12,632,684
Interest and rents	1,899,977	1,640,273	773,494
Other	19,643,112	-	77,673
	<hr/>	<hr/>	<hr/>
Total revenues	482,487,318	126,995,507	510,832,141
Expenditures:			
Current operations:			
Legislative	11,399,270	-	-
Judicial	92,752,172	-	-
General government	88,528,058	-	-
Public safety	122,379,649	-	-
Public works	1,361,556	-	-
Highways, streets, and bridges	-	86,604,534	-
Health and welfare	64,176,679	-	485,709,068
Recreational and cultural	-	-	-
Non-departmental	13,927,636	-	-
Capital outlay	291,543	36,993,924	-
Debt service	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	394,816,563	123,598,458	485,709,068
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	87,670,755	3,397,049	25,123,073
Other Financing Sources (Uses):			
Transfers in (Note 10)	25,790,570	845,149	17,746,219
Transfers out (Note 10)	(113,124,014)	(5,920,543)	-
Proceeds from bond issuances	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses):	(87,333,444)	(5,075,394)	17,746,219
	<hr/>	<hr/>	<hr/>
Net change in fund balances	337,311	(1,678,345)	42,869,292
Fund balances at October 1, 2002	30,422,943	26,978,312	(15,396,516)
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Fund balances at September 30, 2003	\$ 30,760,254	25,299,967	27,472,776
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See accompanying notes to basic financial statements.

<u>Health</u>	<u>Juvenile Justice and Abuse/Neglect</u>	<u>Total Major Governmental Funds</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
-	-	311,803,100	37,619,142	\$ 349,422,242
-	-	162,552	81,724	244,276
7,060,519	749,656	22,411,703	44,253,848	66,665,551
4,182,299	77,779,430	742,808,455	8,435,966	751,244,421
-	456,100	18,141,187	4,990,917	23,132,104
15,081,732	283,130	106,546,306	17,168,051	123,714,357
-	-	4,313,744	18,995,009	23,308,753
120,272	136,688	19,977,745	2,296,038	22,273,783
26,444,822	79,405,004	1,226,164,792	133,840,695	1,360,005,487
-	-	11,399,270	-	11,399,270
-	-	92,752,172	955,316	93,707,488
-	-	88,528,058	21,389,364	109,917,422
-	-	122,379,649	15,011,885	137,391,534
-	-	1,361,556	-	1,361,556
-	-	86,604,534	-	86,604,534
36,609,292	170,064,219	756,559,258	53,582,641	810,141,899
-	-	-	23,916,073	23,916,073
-	-	13,927,636	9,331,077	23,258,713
-	-	37,285,467	7,563,208	44,848,675
-	-	-	36,628,221	36,628,221
36,609,292	170,064,219	1,210,797,600	168,377,785	1,379,175,384
(10,164,470)	(90,659,215)	15,367,192	(34,537,090)	(19,169,898)
9,844,900	80,179,224	134,406,062	14,728,685	149,134,747
-	-	(119,044,557)	(16,096,311)	(135,140,868)
-	-	-	13,740,000	13,740,000
9,844,900	80,179,224	15,361,505	12,372,374	27,733,879
(319,570)	(10,479,991)	30,728,697	(22,164,716)	8,563,981
-	-	42,004,739	85,359,878	127,364,617
(319,570)	(10,479,991)	72,733,436	63,195,162	\$ 135,928,598

CHARTER COUNTY OF WAYNE, MICHIGAN
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the year ended September 30, 2003

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		\$	8,563,981
The change in net assets of the internal service funds is reported with governmental activities in the Statement of Activities.			(4,259,871)
The change in net assets of the Delinquent Tax Revolving Fund is reported with governmental activities in the Statement of Activities.			849,506
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Expenditures for capital assets	44,848,675		
Less current year depreciation	<u>(60,805,973)</u>		(15,957,298)
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the land sold is removed from the capital assets in the statement of net assets and offset against the proceeds resulting in a gain on the sale in the statement of activities. Thus more revenue is reported in the governmental funds			(125,704)
Repayment of bond principal and other debt is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.			19,793,288
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			6,384,816
Non-cash capital contributions in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds			6,836,698
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The amount represents the proceeds received net of bond issuance cost and discounts that must be amortized over the life of the bond			(13,740,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds			
Change in accrued interest expense	(311,617)		
Change in accrued compensated absences	355,369		
Change in accrued claims, litigation and assessments	(12,031,968)		
Amortization of current year bond discounts	3,922,611		
Amortization of current year bond cost	<u>3,142,162</u>		<u>(4,923,443)</u>
Change in net assets of governmental activities		\$	<u>3,421,974</u>

See accompanying notes to basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Net Assets
Proprietary Funds
As of September 30, 2003

	Enterprise Funds						Governmental Activities
	Sewage Disposal Systems			Delinquent Tax Revolving	Non-major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Downriver	Rouge Valley	CSO Basins				
Assets							
Current assets:							
Equity in pooled cash and investments (Note 4)	\$ 1,446,584	13,555,523	-	53,479,794	2,266,817	\$ 70,748,718	\$ 21,321,539
Due from other funds (Note 10)	51,387	895,176	-	5,006,764	-	5,953,327	10,342,674
Due from component units (Note 10)	6,426	-	-	-	-	6,426	3,080,407
Receivables							
Delinquent property taxes, net	-	-	-	59,351,134	-	59,351,134	-
Accounts, net	55,247	617	628,946	-	1,794,938	2,479,748	1,411,661
Due from other governmental units, net (Note 10)	5,821,425	9,134,178	3,479,636	-	5,136,557	23,571,796	17,919
Supplies inventory, at cost	-	-	-	-	44,396	44,396	-
Prepayments and deposits	25,116	-	-	-	-	25,116	177,602
Restricted:							
Equity in pooled cash and investments (Notes 4 and 5)	25,243,956	3,724,871	4,552,351	-	1,503,644	35,024,823	-
Other cash and investments (Note 4)	-	1,472,726	-	-	-	1,472,726	-
Accounts receivable (Note 5)	5,984,573	662,027	2,843,171	-	-	9,489,771	-
Total restricted current assets	31,228,529	5,859,624	7,395,522	-	1,503,644	45,987,320	-
Total current assets	38,634,714	29,445,118	11,504,104	117,837,692	10,746,352	208,167,980	36,351,802
Non-current assets:							
Restricted assets:							
Accounts receivable (Note 5)	865,170	-	1,523,118	-	-	2,388,288	-
Bond principal due from municipalities (Note 5)	184,545,400	4,431,222	37,176,509	-	5,377,821	231,530,952	-
Total non-current restricted assets	185,410,570	4,431,222	38,699,627	-	5,377,821	233,919,240	-
Capital assets:							
Land	2,426,717	1,448,847	-	-	1,012,645	4,888,209	774,751
Land improvements	150,033	-	-	-	-	150,033	3,696,401
Buildings and improvements	18,831,325	9,019,540	83,452,927	-	9,960,575	121,264,367	37,928,266
Equipment	142,473	-	7,830	-	193,376	343,679	43,973,596
Infrastructure	348,779,323	116,504,083	3,363,652	-	1,052,873	469,699,931	-
Construction in progress	-	-	-	-	155,467	155,467	-
Less accumulated depreciation	(71,333,109)	(33,565,919)	(14,731,784)	-	(5,000,020)	(124,630,832)	(44,288,501)
Capital assets, net (Note 8)	298,996,762	93,406,551	72,092,625	-	7,374,916	471,870,854	42,084,513
Other assets:							
Bond issuance cost, net of amortization	394,558	1,250	95,360	-	990	492,158	-
Due from other funds	111,184	-	-	1,746	-	112,930	6,493,191
Advances to other funds (Note 10)	-	-	-	41,683,127	-	41,683,127	4,090,406
Long-term receivables (Note 7)	-	-	-	-	-	-	75,107,619
Total non-current assets	484,913,074	97,839,023	110,887,612	41,684,873	12,753,727	748,078,309	127,775,729
Total assets	\$ 523,547,788	127,284,141	122,391,716	159,522,565	23,500,079	\$ 956,246,289	\$ 164,127,530

(Continued)

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Net Assets - Continued
Proprietary Funds
As of September 30, 2003

	Enterprise Funds						Governmental Activities
	Sewage Disposal Systems			Delinquent Tax Revolving	Non-major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Liabilities and Net Assets	Downriver	Rouge Valley	CSO Basins				
Current liabilities:							
Accounts and contracts payable	\$ 1,968,501	7,095,250	679,256	3,443	3,370,190	\$ 13,116,640	\$ 9,288,300
Accrued wages and benefits	194,374	-	-	23,717	-	218,091	1,240,069
Due to other funds (Note 10)	76,779	-	204,431	9,382	895,176	1,185,768	14,029,536
Due to fiduciary funds (Note 10)	18,613	211,342	-	1,754	-	231,709	87,367
Due to component units (Note 10)	-	-	-	-	-	-	283,563
Due to other governmental units (Note 10)	37,277	-	-	-	-	37,277	-
Notes payable (Note 11)	-	-	-	82,800,000	-	82,800,000	-
Current portion of long-term obligations (Note 11)	-	-	-	-	-	-	1,559,242
Other liabilities	1,074,999	-	4,193,830	276,270	194,947	5,740,046	14,644,753
Payable from restricted assets:							
Accounts payable	4,936,369	148,011	4,133,644	-	156,574	9,374,598	-
Current portion of long-term obligations (Note 11)	11,630,768	755,000	2,248,489	-	425,711	15,059,968	-
Unearned revenue	969,594	501,844	-	-	-	1,471,438	-
Other liabilities	7,574,700	-	-	-	-	7,574,700	-
Total current liabilities payable from restricted current assets	25,111,431	1,404,855	6,382,133	-	582,285	33,480,704	-
Total current liabilities	28,481,974	8,711,447	11,459,650	83,114,566	5,042,598	136,810,235	41,132,830
Non-current liabilities							
Payable from restricted assets							
Bonds payable from restricted assets (Note 11)	196,253,631	3,605,000	36,856,950	-	4,952,110	241,667,691	-
Due to other funds	-	-	-	-	-	-	6,100,000
Other liabilities (Note 11)	-	-	-	-	-	-	24,977,084
Advances from other funds (Note 10)	-	-	-	-	-	-	45,773,533
Notes payable (Note 11)	-	-	-	-	-	-	15,701,635
Total non-current liabilities	196,253,631	3,605,000	36,856,950	-	4,952,110	241,667,691	92,552,252
Total liabilities	224,735,605	12,316,447	48,316,600	83,114,566	9,994,708	378,477,926	133,685,082
Net assets:							
Invested in capital assets, net of related debt	91,112,363	88,813,235	30,336,587	-	698,989	210,961,174	42,084,513
Restricted net assets							
Delinquent tax administration	-	-	-	35,206,722	-	35,206,722	-
Bond programs	5,364,630	22,392	176,104	-	34,603	5,597,729	-
Unrestricted	202,335,190	26,132,067	43,562,425	41,201,277	12,771,779	326,002,738	(11,642,065)
Total net assets	298,812,183	114,967,694	74,075,116	76,407,999	13,505,371	577,768,363	30,442,448
Total liabilities and net assets	\$ 523,547,788	127,284,141	122,391,716	159,522,565	23,500,079	\$ 956,246,289	\$ 164,127,530

**Reconciliation of Statement of Net Assets of
Proprietary Funds to Business-type activities**

Total net assets - enterprise funds	\$ 577,768,363
The Delinquent Tax Revolving Fund primarily serves the general government and therefore is reported as governmental activities in the Statement of Net Assets (Note 1)	(76,407,999)
Net assets of business-type activities	\$ 501,360,364

See accompanying notes to basic financial statements

(Concluded)

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended September 30, 2003

	Enterprise Funds						Governmental Activities
	Sewage Disposal Systems			Delinquent Tax	Non-major	Total	Internal
	Downriver	Rouge Valley	CSO Basins	Revolving	Enterprise Funds	Enterprise Funds	Service Funds
Operating revenues:							
Charges for services	\$ 16,357,357	33,060,502	40,523	2,332,440	14,583,708	\$ 66,374,530	\$ 187,744,863
Fines and forfeitures	-	-	-	15,977,377	-	15,977,377	-
Rentals and expense recoveries	11,396	-	-	-	-	11,396	4,421,769
Other charges for services	324,131	20,775	1,407,163	6,764	1,876,379	3,635,212	361,161
Total operating revenues	16,692,884	33,081,277	1,447,686	18,316,581	16,460,087	85,998,515	192,527,793
Operating expenses:							
Salaries, wages and benefits	6,427,451	-	-	807,870	-	7,235,321	38,327,327
Materials and supplies	1,693,304	35,933	62,907	544,421	763,873	3,100,438	1,588,996
Contractual services	8,804,320	27,255,732	1,380,636	6,556,737	14,439,053	58,436,478	31,911,174
Miscellaneous operating	2,491,111	-	114,302	38,006	766,337	3,409,756	112,628,565
Depreciation and amortization	12,795,355	1,928,199	3,520,645	-	366,977	18,611,176	8,276,686
Total operating expenses	32,211,541	29,219,864	5,078,490	7,947,034	16,336,240	90,793,169	192,732,748
Operating income (loss)	(15,518,657)	3,861,413	(3,630,804)	10,369,547	123,847	(4,794,654)	(204,955)
Non-operating revenues (expenses):							
Investment earnings (loss)	216,243	223,498	-	1,163,583	59,626	1,662,950	47,698
Collections (payments to) from participating local units	5,587,213	269,564	(1,777,078)	-	166,548	4,246,247	-
Interest expense	(5,500,015)	(90,646)	(1,930,584)	(685,370)	(185,473)	(8,392,088)	(691,761)
Federal grants	159,388	-	-	-	9,684	169,072	35,426
Total non-operating revenues (expenses)	462,829	402,416	(3,707,662)	478,213	50,385	(2,313,819)	(608,637)
Net income (loss) before capital contributions and transfers	(15,055,828)	4,263,829	(7,338,466)	10,847,760	174,232	(7,108,473)	(813,592)
Capital contributions	181,055	6,930	1,702,095	-	-	1,890,080	660,530
Transfers in	111,184	-	-	1,746	-	112,930	6,493,191
Transfers out	-	-	-	(10,000,000)	-	(10,000,000)	(10,600,000)
Change in net assets	(14,763,589)	4,270,759	(5,636,371)	849,506	174,232	(15,105,463)	(4,259,871)
Net assets at October 1, 2002	313,575,772	110,696,935	79,711,487	75,558,493	13,331,139	592,873,826	34,702,319
Net assets at September 30, 2003	\$ 298,812,183	114,967,694	74,075,116	76,407,999	13,505,371	\$ 577,768,363	\$ 30,442,448

Reconciliation of Statement of Revenues, Expenses and Changes in Fund Net Assets to Statement of Activities of Business-type Activities

Net change in net assets - enterprise funds \$ (15,105,463)

The Delinquent Tax Revolving Fund primarily serves the general government and therefore is reported as governmental activities in the Statement of Net Assets (Note 1).

(849,506)

Change in net assets of business-type activities

\$ (15,954,969)

See accompanying notes to basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN
Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2003

	Enterprise Funds						Governmental Activities
	Sewage Disposal Systems			Delinquent Tax	Non-major	Total	Internal
	Downriver	Rouge Valley	CSO Basins	Revolving	Enterprise Funds	Enterprise Funds	Service Funds
Cash flows from operating activities:							
Receipts from customers	\$ 19,356,111	33,507,057	1,106,705	25,454,681	16,575,776	\$ 96,000,330	\$ 191,175,564
Payments to suppliers	(12,793,046)	(27,877,810)	2,093,206	(7,303,754)	(15,241,565)	(61,122,969)	(140,935,679)
Payments to employees	(6,442,393)	-	-	(798,233)	-	(7,240,626)	(38,409,080)
Internal activity - receipts from other funds	12,844	3,796,370	-	22,830,543	124,664	26,764,421	(19,753,710)
Internal activity - payments to other funds	(279,615)	147,111	(3,060,050)	(5,397)	(327,560)	(3,525,511)	-
Internal activity - receipts from component units	(6,426)	-	-	-	14,992	8,566	(1,822,159)
Internal activity - payments to component units	-	(316,223)	-	-	-	(316,223)	-
Other operating expenses	54,009	-	-	-	(504,934)	(450,925)	(3,061,098)
Net cash provided (used) by operating activities	(98,516)	9,256,505	139,861	40,177,840	641,373	50,117,063	(12,806,162)
Cash flows from noncapital financing activities:							
Long-term receivable	-	-	-	-	-	-	1,574,380
Advances to other funds	-	-	-	(27,552,362)	-	(27,552,362)	31,909,595
Transfers to other funds	-	-	-	(10,000,000)	-	(10,000,000)	-
Transfers from other funds	-	-	-	-	-	-	-
Collections from participating local units	5,587,213	269,564	(1,777,078)	-	166,548	4,246,247	-
Federal grants	159,388	-	-	-	9,684	169,072	35,426
Net cash provided (used) by noncapital financing activities	5,746,601	269,564	(1,777,078)	(37,552,362)	176,232	(33,137,043)	33,519,401
Cash flows from capital and related financing activities:							
Repayment of long-term debt	(11,402,950)	(725,000)	(2,255,000)	(50,319,275)	(425,000)	(65,127,225)	(1,642,103)
Proceeds from issuance of long term debt	91,917	6,931	1,357,910	82,800,000	-	84,256,758	-
Bond principal received from municipalities	10,216,609	667,640	781,390	-	410,711	12,076,350	-
Contribution of capital	181,055	6,930	1,702,095	-	-	1,890,080	660,530
Acquisition of capital assets	(1,330,120)	(383,296)	(119,251)	-	-	(1,832,667)	(1,805,687)
Disposition of capital assets	-	-	-	-	-	-	1,573,968
Interest paid	(5,464,660)	(90,646)	(1,779,073)	(685,370)	(171,183)	(8,190,932)	(691,761)
Net cash provided (used) by capital and related financing activities	(7,708,149)	(517,441)	(311,929)	31,795,355	(185,472)	23,072,364	(1,905,053)
Cash flows from investing activities:							
Investment earnings (loss)	216,243	223,498	-	1,163,583	59,626	1,662,950	47,698
Net cash provided by investing activities	216,243	223,498	-	1,163,583	59,626	1,662,950	47,698
Net increase (decrease) in cash and cash equivalents	(1,843,821)	9,232,126	(1,949,146)	35,584,416	691,759	41,715,334	18,855,884
Cash and cash equivalents at September 30, 2002	28,534,361	9,520,994	6,501,497	17,895,378	3,078,702	65,530,932	2,465,655
Cash and cash equivalents at September 30, 2003	\$ 26,690,540	18,753,120	4,552,351	53,479,794	3,770,461	\$ 107,246,266	\$ 21,321,539
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	\$ (15,518,657)	3,861,413	(3,630,804)	10,369,547	123,847	\$ (4,794,654)	\$ (204,955)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation and amortization	12,795,355	1,928,199	3,520,645	-	366,977	18,611,176	8,276,686
Amortization of bond issuance costs	54,009	1,251	29,630	-	4,283	89,173	-
(Increases) decreases in current assets:							
Delinquent property taxes receivable	-	-	-	7,138,100	-	7,138,100	-
Accounts receivable	3,615,615	170,539	(1,304,246)	-	71,552	2,553,460	(1,352,833)
Due from other funds	12,844	3,796,370	-	22,830,543	124,664	26,764,421	(1,150,389)
Due from other governmental units	(915,331)	584,595	933,635	-	39,854	642,753	(982,889)
Due from other component units	(6,426)	-	-	-	14,992	8,566	(1,138,920)
Other current assets	(1,120)	-	-	-	(2,128)	(3,248)	-
Increases (decreases) in current liabilities:							
Accounts and contracts payable	3,578,963	(586,144)	(542,780)	(125)	75,463	2,525,377	3,148,322
Accrued wages and benefits	(14,942)	-	-	9,637	-	(5,305)	(81,752)
Due to other funds	(298,228)	-	(3,060,050)	(7,151)	(327,560)	(3,692,989)	(14,316,766)
Due to fiduciary funds	18,613	147,111	-	1,754	-	167,478	169,264
Due to component units	-	(316,223)	-	-	-	(316,223)	201,666
Other liabilities	(3,382,154)	-	4,193,831	(164,465)	149,429	796,640	(2,027,654)
Deferred revenue	(37,057)	(330,605)	-	-	-	(367,662)	-
Advances from other funds	-	-	-	-	-	-	(3,345,942)
Net cash provided (used) by operating activities	\$ (98,516)	9,256,505	139,861	40,177,840	641,373	\$ 50,117,063	\$ (12,806,162)
Cash and investments at September 30, 2003 consists of the following:							
Equity in pooled cash and investments	\$ 1,446,584	13,555,523	-	53,479,794	2,266,817	\$ 70,748,718	\$ 21,321,539
Restricted assets:							
Equity in pooled cash and investments	25,243,956	3,724,871	4,552,351	-	1,503,644	35,024,822	-
Other cash and investments	-	1,472,726	-	-	-	1,472,726	-
Total cash and investments	\$ 26,690,540	18,753,120	4,552,351	53,479,794	3,770,461	\$ 107,246,266	\$ 21,321,539

See accompanying notes to basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
As of September 30, 2003

	Pension (and Other Employee Benefit) <u>Trust Funds</u>	Agency <u>Funds</u>
<u>Assets</u>		
Equity in pooled cash and investments (Note 4)	\$ 5,061,323	\$ 150,365,470
Other cash and investments (Note 4)	-	23,165,122
Accounts receivable	21,596,595	12,653,763
Due from other funds (Note 10)	-	1,150,540
Accrued interest receivable	4,328,081	-
Retirement investments (Note 4):		
Money market pooled funds	192,220,440	-
U. S. government obligations	63,330,007	-
Registered investment companies	153,950,598	-
Municipal bonds	1,113,060	-
Corporate bonds	122,395,732	-
Common stock	375,344,002	-
Mortgages	57,268,139	-
Mortgage-backed pass-through certificates	151,481,180	-
Investments in partnerships	114,568,206	-
Foreign bonds	38,380	-
Participant loans receivable	22,117,354	-
Total retirement investments	1,253,827,098	-
Prepayments and deposits	75,296	-
Depreciable capital assets, net (Note 8)	309,551	-
Total assets	<u>\$ 1,285,197,944</u>	<u>\$ 187,334,895</u>
<u>Liabilities</u>		
Accounts and contracts payable	\$ 385,043	\$ 5,113,244
Due to other funds (Note 10)	24,910	-
Due to other governmental units (Note 10)	-	2,292,539
Accrued wages and benefits	58,340	3,468,556
Due to broker for securities purchased	47,198,498	-
Undistributed taxes	-	150,827,955
Retainage	-	22,638,546
Other liabilities	-	2,994,055
Total liabilities	<u>\$ 47,666,791</u>	<u>\$ 187,334,895</u>
<u>Net Assets</u>		
Net assets held in trust for pension benefits	<u>\$ 1,237,531,153</u>	

See accompanying notes to basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended September 30, 2003

	Pension (and Other Employee Benefit) <u>Trust Funds</u>
<u>Additions</u>	
Investment income:	
Net appreciation to fair market value	\$ 102,964,354
Interest and dividends	37,238,297
Other investment income	1,340,829
Investment expenses	<u>(2,928,916)</u>
Net investment income	138,614,564
Retirement contributions:	
Employer	27,420,161
Employee	<u>12,805,364</u>
Total retirement contributions	<u>40,225,525</u>
Total additions	178,840,089
<u>Deductions</u>	
Administrative expenses:	
Personnel	1,153,003
Fringe benefits	409,176
Pension	94,734
Materials and supplies	122,886
Contractual services	933,007
Travel	44,249
Rentals	240,151
Depreciation and amortization	76,569
Other charges	<u>77,515</u>
Total administrative expenses	3,151,290
Participant benefits - retirement benefits	<u>120,534,936</u>
Total deductions	<u>123,686,226</u>
Net increase to net assets	55,153,863
Net assets at October 1, 2002	<u>1,182,377,290</u>
Net assets at September 30, 2003 (Note 12)	<u>\$ 1,237,531,153</u>

See accompanying notes to basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Net Assets
Component Units
As of September 30, 2003

<u>Assets</u>	<u>Airport Authority</u>	<u>Circuit Court</u>	<u>Non-major Component Units</u>	<u>Total Component Units</u>
Current assets:				
Equity in pooled cash and investments (Note 4)	\$ -	-	20,064,570	\$ 20,064,570
Other cash and investments (Note 4)	37,378,616	-	2,560,949	39,939,565
Due from primary government (Note 10)	-	662,505	23,346	685,851
Receivables:				
Accounts receivable, net	21,235,987	7,805,781	1,054,262	30,096,030
Special assessments	-	-	26,671,049	26,671,049
Due from other governmental units, net (Note 10)	24,056,907	1,625,530	1,969,138	27,651,575
Prepayments and deposits	-	974	21,633	22,607
Restricted assets (Note 5):				
Cash and investments	282,246,907	-	-	282,246,907
Accounts receivable	12,786,899	-	-	12,786,899
Total current assets	377,705,316	10,094,790	52,364,947	440,165,053
Non-current assets:				
Restricted other cash and investments	46,026,291	-	-	46,026,291
Capital assets (Note 8):				
Nondepreciable	203,635,501	7,500,662	82,887,797	294,023,960
Depreciable, net	1,901,298,361	6,113,542	659,620,799	2,567,032,702
Other assets:				
Bond issuance costs, net of amortization	22,375,634	-	-	22,375,634
Prepaid expenses	2,334,543	-	-	2,334,543
Total non-current assets	2,175,670,330	13,614,204	742,508,596	2,931,793,130
Total assets	\$ 2,553,375,646	\$ 23,708,994	\$ 794,873,543	\$ 3,371,958,183

(Continued)

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Net Assets, Continued
Component Units
As of September 30, 2003

<u>Liabilities and Net Assets</u>	<u>Airport Authority</u>	<u>Circuit Court</u>	<u>Non-major Component Units</u>	<u>Total Component Units</u>
Current liabilities:				
Accounts and contracts payable	\$ 21,602,751	2,226,731	2,351,685	\$ 26,181,167
Accrued wages and benefits	2,637,894	1,397,893	85,049	4,120,836
Due to primary government (Note 10)	5,542,289	27,326,706	1,093,473	33,962,468
Due to other governmental units (Note 10)	1,640	2,414,015	104,133	2,519,788
Current portion of long-term obligations (Note 11)	-	3,436,101	4,210,785	7,646,886
Unearned revenue	2,216,537	-	17,845	2,234,382
Other liabilities	13,120,231	253,445	966,891	14,340,567
Total current liabilities payable from current assets	45,121,342	37,054,891	8,829,861	91,006,094
Payable from restricted assets:				
Current portion of long-term obligations (Note 11)	34,771,157	-	-	34,771,157
Accrued interest	27,100,849	-	-	27,100,849
Unearned revenue	4,948,857	367,345	-	5,316,202
Total current liabilities payable from restricted assets	66,820,863	367,345	-	67,188,208
Total current liabilities	111,942,205	37,422,236	8,829,861	158,194,302
Long-term obligations:				
Non-current portion of long-term obligations (Note 11)	1,705,120,841	3,806,226	104,665,264	1,813,592,331
Other liabilities	445,801	-	-	445,801
Total long-term obligations	1,705,566,642	3,806,226	104,665,264	1,814,038,132
Total liabilities	1,817,508,847	41,228,462	113,495,125	1,972,232,434
Net assets:				
Invested in capital assets, net of related debt	439,424,598	9,807,978	644,976,182	1,094,208,758
Restricted net assets:				
Bond programs	131,672,191	-	7,382,321	139,054,512
Capital projects	60,688,125	-	5,401,383	66,089,508
Drug enforcement	1,955,029	-	-	1,955,029
Airport operations	23,013,041	-	-	23,013,041
Unrestricted net assets	79,113,815	(27,327,446)	23,618,532	75,404,901
Total net assets	735,866,799	(17,519,468)	681,378,418	1,399,725,749
Total liabilities and net assets	\$ 2,553,375,646	23,708,994	794,873,543	\$ 3,371,958,183

See accompanying notes to basic financial statements.

(Concluded)

CHARTER COUNTY OF WAYNE, MICHIGAN
Statement of Activities
Component Units
For the year ended September 30, 2003

	<u>Airport Authority</u>	<u>Circuit Court</u>	<u>Non-major Component Units</u>	<u>Total Component Units</u>
Expenses	\$ 375,837,870	122,181,723	79,486,417	\$ 577,506,010
Program revenues:				
Charges for services	284,318,671	5,902,160	35,565,871	325,786,702
Operating grants and contributions	8,478,808	108,633,919	12,047,107	129,159,834
Capital grants and contributions	<u>26,386,612</u>	<u>-</u>	<u>24,014,426</u>	<u>50,401,038</u>
Total program revenues	319,184,091	114,536,079	71,627,404	505,347,574
Net expense	(56,653,779)	(7,645,644)	(7,859,013)	(72,158,436)
General revenues:				
Investment earnings (loss)	6,520,467	(441,671)	270,167	6,348,963
Other revenue	<u>-</u>	<u>378,942</u>	<u>527,527</u>	<u>906,469</u>
Total general revenues	<u>6,520,467</u>	<u>(62,729)</u>	<u>797,694</u>	<u>7,255,432</u>
Change in net assets	(50,133,312)	(7,708,373)	(7,061,319)	(64,903,004)
Net assets at October 1, 2002	<u>786,000,111</u>	<u>(9,811,095)</u>	<u>688,439,737</u>	<u>1,464,628,753</u>
Net assets at September 30, 2003	<u>\$ 735,866,799</u>	<u>(17,519,468)</u>	<u>681,378,418</u>	<u>\$ 1,399,725,749</u>

See accompanying notes to basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2003

Index
Notes to Basic Financial Statements

	<u>Page</u>
1. Summary of Significant Accounting Policies	II-37
2. Budget Matters	II-48
3. Self Insurance	II-49
4. Cash and Investments	II-50
5. Restricted Assets	II-52
6. Major Customer – Airport Authority Component Unit	II-54
7. Long-term Receivables	II-54
8. Capital Assets	II-55
9. Property Taxes	II-63
10. Interfund Transfers, Balances and Advances	II-66
11. Debt and Other Obligations	II-72
12. Employee Benefits	II-90
13. Fund Deficits	II-99
14. Commitments and Contingencies	II-101
15. Subsequent Events	II-102

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements
For the year ended September 30, 2003

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Charter County of Wayne, Michigan (County), was incorporated in 1796 and covers an area of approximately 623 square miles. The County provides services to more than 2 million residents in many areas, including law enforcement, administration of justice, community enrichment and development, and human services. The citizens of the County operate under a Home Rule Charter that provides for government by a legislative branch, which is comprised of the 15 elected commissioners, and an executive branch, which is headed by an elected chief executive officer (County Executive). The County Executive is the County's chief administrator and manages the County's eleven executive departments, including Children and Family Services, Corporation Counsel, Environment, Health and Human Services, Homeland Security/Emergency Management, Jobs and Economic Development, Management and Budget, Personnel/Human Resources, Public Services, Senior Citizens and Veterans Affairs, and Technology. In addition, the primary government includes other elected officials including the County Clerk, Prosecuting Attorney, Register of Deeds, Sheriff, and the Treasurer. The component units and other entities discussed below have been included as part of the reporting entity because of the significance of their operational or financial relationship to the County.

The Wayne County Employees' Retirement System (Retirement System), which is governed by the Wayne County Retirement Ordinance, is included as part of the County's fiduciary operations. The Retirement Commission oversees the ongoing operations of the Retirement System in accordance with the Retirement Ordinance.

The Detroit-Wayne Joint Building Authority (Joint Authority) is a joint venture arrangement between the City of Detroit (City) and the County. In March 1988, the City and County agreed to a consent judgment whereby the County's equity in the ownership of a portion of the Coleman A. Young Municipal Center (CAYMC) was transferred to the City, thereby eliminating the County's equity interest. In addition, the Joint Authority also approved an amendment to its lease with the County in connection with proposed renovations to space occupied by the County. The amendment extended the County's lease term to September 2026, identified the Joint Authority's intention to renovate the facilities, and committed the County for the repayment of the debt used to finance the renovations. In 1988, the Joint Authority issued bonds, the proceeds of which were used to renovate the CAYMC for use by the County courts. These bonds are backed by the full faith and credit of the County. Rentals are paid to the Joint Authority by the County's General Fund to cover the Joint Authority's principal and interest payments on debt. The County's obligation to the Joint Authority, which conforms to the Joint Authority's calendar year, is included in the financial statements of the primary government.

Component Units

The financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units.

Blended Component Units - Blended component units are legally separate entities from the County, but are, in substance, part of the County's operations and so data from these units are combined with data of the primary government.

The Wayne County Building Authority (WCBA) was established to acquire, furnish, equip, own, improve, enlarge, operate and/or maintain buildings and building sites for lease to, and eventual

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(1) Summary of Significant Accounting Policies, Continued

ownership by the County. It is managed by a five-member board appointed by the County Executive, subject to approval by the Wayne County Commissioners. The County has pledged certain revenues, including a specific portion of its general property tax revenues, to secure the payment of certain outstanding obligations of the County and the WCBA. The pledge of such a specific portion of its general property tax revenues is superior to the County's pledge of its limited tax full faith and credit for cash rentals under a contract. The WCBA has no taxing authority. The WCBA is presented as a non-major governmental fund.

Discretely Presented Component Units - Discretely presented component units are entities that are legally separate from the County but for which the County is financially accountable, or their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. These component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the County.

The Wayne County Airport Authority (Airport Authority) was established on August 9, 2002 under Public Act 90 of 2002 to control and operate the Detroit Metropolitan Wayne County Airport, the Willow Run Airport (the Airports) and the Airport Hotel.

The Airport Authority (the Authority) is an independent public benefit agency and considered an agency of the County for the purposes of federal and state laws but is not subject to any County charter requirements or the direction or control of either the County Executive or the Wayne County Commission. The Authority is charged with the responsibility to operate and run the activities of the Airports and the Airport Hotel. The financial statements of the Authority include the operations of the Detroit Metropolitan Wayne County Airport, the Willow Run Airport and the Airport Hotel.

The Airport Authority is managed by a seven-member board, with four members appointed by the County Executive, two members appointed by the Governor of the State of Michigan, and one member appointed by the Wayne County Commission. The appointments of the County Executive and the Governor are not subject to confirmation by the State Legislature or the Wayne County Commission.

The Third Circuit and Probate Courts (Courts) were established under the Constitution of the State of Michigan and comprise a portion of the judicial branch of the State of Michigan. Although the Courts were not created as a separate body corporate or body corporate and politic, they possess the prerequisite corporate powers and budgetary autonomy to support their inclusion as discretely presented component units. Both Courts are headed by a duly elected chief judge. The Courts preside over judicial proceedings within the County. The Courts are fiscally dependent on the County and have no taxing power. The Court Reorganization Act, 1996 P.A. 388, designated the County as the primary funding unit for Court operations.

There are three separate divisions of Third Circuit Court (Circuit Court): Civil, Criminal, and Family Court. The Civil Division is assigned 25 judges for the resolution of general civil cases initiated within the County, where the amount of the controversy exceeds \$10,000. The Criminal Division is assigned 32 judges and has sole jurisdiction over felonies and high misdemeanors occurring within the County. The Family Court Division is divided into Domestic and Juvenile Sections. The Domestic Section is assigned seven judges and is responsible for hearing all domestic relation cases filed within the County. The Juvenile Section is assigned three judges, along with a staff of referees, and exercises exclusive jurisdiction over juveniles under 17 years of age in delinquency proceedings, and children under 18 years of age in protective proceedings. Each child

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(1) Summary of Significant Accounting Policies, Continued

coming within the jurisdiction of the Family Court is entitled to receive the care, guidance, and control, as will be conducive to the child's welfare and the best interest of the State. The Courts are located in the CAYMC in downtown Detroit.

Probate Court has eight judges who have jurisdiction in all matters related to settlement of estates, trusts and appointment of trustees within the County. In addition, the Court appoints guardians and conservators for minors and other legally incapacitated persons. The Court has jurisdiction over numerous other matters ranging from mental illness, to communicable diseases, to substance abuse and to certain child custody issues.

The Detroit-Wayne County Stadium Authority (DWCSA) was incorporated by the County on August 20, 1996 under the provisions of Public Act 31 for the purpose of constructing and maintaining two new sports stadiums, Comerica Park and Ford Field, home of the Detroit Tigers Professional Baseball Team and of the Detroit Lions Professional Football Team, respectively. The DWCSA's Articles of Incorporation provide for a six-member board ("the Commission"). Each member of the Commission is appointed by the County Executive, with three members recommended by the Mayor of the City of Detroit. On April 1, 1997, the DWCSA issued bonds totaling \$85,815,000. The County has pledged its limited tax full faith and credit for payment of the cash rentals to the DWCSA under a contract dated March 1, 1997 to pay debt service. The County has also pledged certain motor vehicle rentals and hotel tax revenues levied by the County pursuant to Act No. 180, Public Acts of Michigan 1991. The DWCSA has no taxing authority.

Chapters 8, 20 and 21 Drainage Districts are established under the State of Michigan Drain Code (Public Act 40 of 1956, as amended; the "Drain Code") to provide for the construction, maintenance and funding of drains, sewers, and equipment used in water management and flood control. Each of the individual drainage districts is a separate legal entity, with the power to sue and to be sued, and to hold, manage, and dispose of real and personal property. The full faith and credit of the County is generally given for the long-term debt of the drainage districts. There are approximately 150 drainage districts that are assessed by the County. The drainage districts are grouped and reported as follows:

Chapter 8 Drainage Districts are inter- and intra-County drainage districts that are operated, maintained, and extended pursuant to the provisions in the Drain Code which allow for assessment of the related costs to the specific owners of the benefited parcels of property or to the benefited public corporations. The Wayne County Drain Commissioner (the County's Director of Public Works) is responsible for determining the yearly assessments. Under the Drain Code, the County is responsible for Chapter 8 drainage district administrative costs for maintenance.

Chapter 20 Drainage Districts are intra-County drainage districts that are operated, maintained, and extended pursuant to the provisions in the Drain Code which allow for at-large assessment of costs against either the benefited public corporations or the specific owners of benefited parcels of property. The Chapter 20 Districts have Drainage Boards that are responsible for determining the yearly assessments. Each district's board statutorily consists of three members: the Wayne County Drain Commissioner, the district's County Commissioner, and an appointee of the County Executive. The full faith and credit of the County has been pledged for the long-term debt of the drainage districts.

Chapter 21 (Milk River) Drainage District is an inter-County drainage district which is operated, maintained, and extended pursuant to the provisions in the Drain Code which allow for assessment

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(1) Summary of Significant Accounting Policies, Continued

of the related costs to either the benefited public corporations or the specific owners of benefited parcels of property. The District has a Drainage Board that is responsible for determining the yearly assessments. The District's drainage board statutorily consists of three members: the Director of Agriculture of the State of Michigan (chairperson), the Wayne County Drain Commissioner, and the Drain Commissioners for each of the counties of the specific drainage district. The County has pledged its full faith and credit for the long-term debt of the districts.

The Economic Development Corporation of Wayne County (EDC) is a separate legal entity that was established pursuant to Michigan Public Act 338 of 1974. Its 11-member board is appointed by the County Executive. The EDC acts on behalf of and at the direction of the County. Services include financial packaging, site location services, and low-cost financing to businesses locating or expanding in the County. The EDC's primary fiscal activity is to provide administration of federal grants on behalf of and for the benefit of the County. The EDC is fiscally dependent on the County and has no taxing authority.

The Brownfield Redevelopment Authority (BRA) was established by State enabling legislation. The BRA will assist the Wayne County Department of Environment and the various Wayne County communities involved with the Urban Recovery Partnership to facilitate the redevelopment of unproductive, contaminated and/or blighted property by providing tax incentives. The BRA's 11-member board is appointed by the County Executive. The BRA acts on behalf of and at the direction of the County.

HealthChoice of Michigan (HealthChoice) was formed by the County under the Municipal Health Corporations Act of 1987. HealthChoice was incorporated January 30, 1992 to manage a health care program benefiting employees of County businesses that are unable to provide health benefits to these employees. The program is funded equally by monthly contributions by employers, employees, and Metro HealthCare Services, Inc., (MHCS) a philanthropic Michigan non-profit corporation. HealthChoice Board members are County elected or County appointed officials.

HealthChoice administers the program in conjunction with MHCS, which administers the transfer of monthly subsidies to HealthChoice; Patient Care Management System, a unit of the County, which provides the personnel to manage the program; and a third-party administrator, which collects subsidies from MHCS and premiums from employers, distributes health care provider payments, and remits any excess premiums to HealthChoice.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(1) Summary of Significant Accounting Policies, Continued

Detailed financial information for each of the individual component units and the Detroit-Wayne Joint Building Authority may be obtained at the entity's administrative offices below:

Detroit-Wayne Joint Building Authority
1316 Coleman A. Young Municipal Center
Two Woodward Avenue
Detroit, Michigan 48226

Wayne County Building Authority
600 Randolph, Third Floor
Detroit, Michigan 48226

Wayne County Airport Authority
Detroit Metropolitan Wayne County Airport
L.C. Smith Terminal-Mezzanine
Detroit, Michigan 48242

Circuit Court
711 Coleman A. Young Municipal Center
Two Woodward Avenue
Detroit, Michigan 48226

Probate Court
1305 Coleman A. Young Municipal Center
Two Woodward Avenue
Detroit, Michigan 48226

Detroit-Wayne County Stadium Authority
600 Randolph, Suite 300
Detroit, Michigan 48226

Chapters 8, 20 and 21 Drainage Districts
Wayne County Department of Environment
415 Clifford, Seventh Floor
Detroit, Michigan 48226

Economic Development Corporation of Wayne County
600 Randolph, Room 323
Detroit, Michigan 48226

Brownfield Redevelopment Authority
600 Randolph, Suite 323
Detroit, Michigan 48226

HealthChoice of Michigan
640 Temple, Suite 370
Detroit, Michigan 48201

Related Organizations

County officials are also responsible for appointing members of boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. County officials appoint the board members of the Wayne County Council for the Arts, History and Humanities, Housing and Community Development Corporation of Wayne County, and Wings Over Wayne.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Change in Reporting Entity

Effective October 1, 2002, in accordance with the Michigan Department of Treasury's *Revised Uniform Chart of Accounts*, the operations and accounts of the Delinquent Tax Revolving Fund, formerly reported as an internal service fund, were reclassified and are reported as an enterprise fund. There is no impact on beginning net assets as a result of the change in reporting entity.

Government-Wide Financial Statements

The County's financial statements include government-wide financial statements (reporting the County as a whole) and fund financial statements (reporting the County's major funds individually and non-major funds in the aggregate). The government-wide financial statements categorize

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(1) Summary of Significant Accounting Policies, Continued

primary activities as either governmental or business-type. The County's legislative; judicial; general government; public safety; public works; highways, streets and bridges; health and welfare; recreation and cultural; and non-departmental functions are classified as governmental activities as they are largely supported by taxes and intergovernmental revenue. The County's sewage disposal systems, jail commissary, parking lots, and wetlands mitigation services are classified as business-type activities as they rely on fees and charges for support.

The primary function of the Delinquent Tax Revolving Fund is to support the collection of property tax revenue, a general government function. The activities of the Delinquent Tax Revolving Fund have been classified as governmental activities in the government-wide financial statements and a reconciliation from the proprietary fund financial statements to the business-type activities column in the government-wide financial statements has been prepared.

The government-wide financial statements display information about the County as a whole, excluding fiduciary funds and component units that are fiduciary in nature.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are presented on a consolidated basis, by column, and are reported on a full accrual basis of accounting and the economic resources measurement focus, in which all long-term assets and receivables, as well as long-term-debt and obligations, are recognized. The County's net assets are reported in the following three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

- Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets consists of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's governmental functions and business-type activities. The functions are also supported by general government revenues. General revenues include all taxes, property taxes, investment earnings, and sales and parking taxes. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Direct expenses are those that are specifically associated with a service, program or department and are clearly identifiable to a specific function. Indirect expenses for centralized services and administrative overhead are included as part of the direct expenses reported for the various functional activities.

Program revenues must be directly associated with a governmental or business-type activity. Amounts reported as program revenues include charges to customers for goods or services provided, operating grants and contributions, and capital grants and contributions, including special assessments. Operating grants include operating-specific and discretionary grants, while

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(1) Summary of Significant Accounting Policies, Continued

capital grants include capital-specific grants only. Internally dedicated resources are reported as general revenues rather than as program revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flows take place. None change transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, state sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are activities between funds reported as governmental activities and funds reported as business-type activities. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

Fund Financial Statements

Separate fund financial statements are presented for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. Non-major governmental, non-major enterprise, internal service, pension (and other employee benefit) trust funds, and agency funds, are presented in the aggregate, and in individual columns, in the fund financial statements.

Governmental fund financial statements include those funds used to account for the County's general government activities. All governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recorded when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers property tax revenues to be available if collection occurs within sixty (60) days. The County considers all other revenues to be available if they are collected within one year of the end of the fiscal year.

Property taxes, industrial facilities taxes, interest and rents, and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time. Entitlements and State-shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

Expenditures are recognized as payable on the modified accrual basis when the liability is incurred, except for principal and interest on general long-term obligations, compensated absences, and claims, litigation, and assessments, which are recognized when due.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(1) Summary of Significant Accounting Policies, Continued

The County reports the following major governmental funds:

- General Fund - The General Fund accounts for all financial resources and expenditures except those required to be accounted for in other funds. The General Fund is the County's primary operating fund.
- Roads Fund - This fund is used to account for the operations associated with the maintenance and construction of certain roads, streets, and bridges located within the County. These operations are funded principally by the federal government, the State of Michigan, and local governmental units within the County.
- Mental Health Fund - This fund is used to account for revenue reserved for providing mental health services to County residents.
- Health Fund - This fund is used to account for revenue reserved for the purpose of providing health protection, maintenance, and improvement for the residents of the County.
- Juvenile Justice and Abuse/Neglect Fund - This fund accounts for the cost of providing required foster care and/or residential care to abused, neglected, and delinquent children in the County, including County residents who become wards of the State of Michigan.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. All proprietary funds are reported on a full accrual basis of accounting and the economic resources measurement focus.

The County's proprietary funds consist of the following major enterprise funds and the internal service funds:

- Downriver, Rouge Valley, and Combined Sewage Overflow (CSO) Basins Sewage Disposal System Funds - These major funds are used to record the fiscal activities associated with operation and maintenance of the Downriver, Rouge Valley, and CSO Basins sewage treatment facilities. Costs are recovered through development of usage rates, which are billed to the local communities served.
- Delinquent Tax Revolving Fund - This major fund is used to account for money advanced by the County to various taxing authorities for unpaid property taxes. It was established by law to buy any or all delinquent real property taxes and special assessments owed to the County and taxing authorities in the County.
- Internal Service Funds - These funds are used to account for the costs of certain goods, services, and activities (such as personnel, central services, information technology, employee health benefits, property insurance, capital asset acquisitions, etc.) provided by one department to another department or to component units of the County.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(1) Summary of Significant Accounting Policies, Continued

The County reports the following fiduciary fund types:

- Pension (and Other Employee Benefit) Trust Funds - The pension trust funds are used to account for the assets of the County's employees' pension plan. These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting.
- Agency Funds - These funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the County holds for others in an agency capacity. Agency funds, which only report a Statement of Fiduciary Net Assets, use the accrual basis of accounting.

The County reports the following major component units:

- Airport Authority - These funds are used to account for the operation and maintenance of the Airports and the Airport Hotel. Airport revenues are primarily derived from landing fees, leases, and rentals received from users or fee-based operations. Activities associated with the Airport Hotel includes funding the construction and furnishing of an airport hotel at the McNamara Terminal at the Detroit Metropolitan Wayne County Airport.
- Circuit Court - The Court presides over judicial proceedings initiated within the County through its Civil, Criminal and Family Court divisions. These divisions are responsible for the resolution of general civil cases, felonies and high misdemeanors, domestic relation cases, and jurisdiction over juveniles in delinquency and protective proceedings.

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 20, and amended by Statement No. 34, the government-wide statements and proprietary fund statements follow all GASB pronouncements and Financial Accounting Standards Board Statements (FASB) and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncements. The County has the option to apply FASB pronouncements issued after November 30, 1989, for business-type activities and enterprise funds, but has chosen not to do so.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Fund Equity

Bond Issuance Costs - The principal component of other assets in the enterprise funds represents bond issuance costs. Such issuance costs are amortized principally using methods that approximate the effective interest method.

Capital Assets - Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Infrastructure assets are defined as long-lived capital assets that are stationary in nature and can be preserved longer than most other capital assets. Infrastructure assets have an initial, individual cost of more than \$5,000.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(1) Summary of Significant Accounting Policies, Continued

Equipment, buildings, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in either the governmental or business-type activities column in the government-wide financial statements. All capital assets are recorded at historical cost or estimated historical cost, if actual cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	5-25
Infrastructure:	
Roadway signage	7-15
Bridges, dams and roadways	25-50
Sewer systems	25-80
Airport paving	25
Airport systems	10-25
Machinery and equipment, vehicles	5-25
Office equipment	5

Cash and Investments - Cash resources of the individual funds, except as specifically stated by the Comprehensive Investment Policy Ordinance, are pooled and invested. Interest on pooled investments is allocated among the respective funds based on average investment balances. Securities traded on national or international exchanges are valued at last reported sales price at current exchange rates, which represent fair value. Mortgages are valued on the basis of future principal and interest payments and are discounted at the prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. Gains or losses on investments sold or exchanged are recognized when the transactions are completed (settlement dates).

Cash Flows - For purposes of the Statement of Cash Flows, the County considers cash equivalents as all highly liquid investments, including restricted assets, with a maturity of three months or less from the date of acquisition.

Compensated Absences - County employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned and sick pay vests upon completion of two years of service. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding these limitations are forfeited.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(1) Summary of Significant Accounting Policies, Continued

In the government-wide and proprietary fund financial statements, all vacation and sick pay is accrued when earned by the employee. In the governmental fund financial statements, the governmental funds report an expenditure for vacation and sick pay when used by the employee or upon separation.

Deferral of Gains and Losses on Refunding - For enterprise funds, the County defers the difference between the reacquisition price and the net carrying amount of the old debt in a refunding. The deferred amount is amortized and recorded as a component of interest expense.

Deferred Revenue - In the governmental funds, deferred revenue represents revenue that is estimable but not available to finance current operations. Accordingly, these revenues are deferred until such time as they are available. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not subject to appropriation or are legally segregated for a specific purpose.

Reservations of fund balances generally represent outside third-party restrictions or non-current assets that are not available to fund current liabilities such as prepayments, long-term receivables and due from other funds not settled within a year.

Interfund Balances - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories - Inventories are valued at cost, primarily using the weighted average cost flow assumption. Expenditures are recognized as inventory items are used. Fund balances in governmental funds have been reserved for the amount of inventory on hand at September 30, 2003, as that portion of fund balance is unavailable for appropriation or expenditure.

Passenger Facility Charges - The Airport Authority assesses passenger facility charges of \$4.50 per passenger. The passenger facility charges are recorded as non-operating revenues and may only be expended on capital and non-capital projects approved by the federal government. Net assets related to unexpended passenger facilities charges are restricted.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(2) Budget Matters

The following is a listing of total expenditures in excess of the final amended budget for the major governmental funds, the General Fund and the Juvenile Justice and Abuse/Neglect Fund, and for the other governmental funds for which an annual budget has been legally adopted. Expenditures are presented at the legal level of budgetary control. The budgetary comparison schedules for the major governmental funds are presented as required supplementary information beginning on page II-105. The budgetary comparison schedules for the other governmental funds begin on page II-127.

	Final <u>Amended Budget</u>	Actual <u>Expenditures</u>	Amount Over <u>Amended Budget</u>
<u>General Fund:</u>			
General Government:			
Office of the County Executive	\$ 2,294,054	2,599,030	\$ 304,976
Adult Probation Services	3,029,773	3,062,937	33,164
Board of County Canvassers	112,724	115,795	3,071
Office of the Prosecuting Attorney	33,271,643	33,814,685	543,042
Public Safety:			
Secondary roads	1,726,059	1,792,831	66,772
Jail operations	86,403,696	90,026,194	3,622,498
Juvenile Detention Facility - Mental Health	2,364,169	2,456,453	92,284
Emergency preparedness	1,137,912	1,361,047	223,135
Health and Welfare:			
Indigent health care	15,455,457	21,058,480	5,603,023
Jail medical	18,162,473	23,084,546	4,922,073
Jail mental health	6,823,196	7,386,989	563,793
Non-departmental:			
Corporation Counsel - Litigation settlements	2,243,000	2,245,298	2,298
Building Authority Capital Lease Obligations	8,962,181	8,965,319	3,138
Capital Outlay	-	291,543	291,543
Total General Fund	\$ <u>181,986,337</u>	<u>198,261,147</u>	\$ <u>16,274,810</u>
Special Revenue Funds:			
Juvenile Justice and Abuse/Neglect	\$ 156,206,624	170,064,219	\$ 13,857,595
County Library	5,415,453	5,769,490	354,037
Drug Enforcement	1,326,731	1,999,753	673,022
Nutrition	5,854,535	6,076,474	221,939
Victim Witness	934,900	952,790	17,890
Debt Service Funds:			
General Debt Service	18,848,563	21,322,025	2,473,462
Wayne County Building Authority	13,879,112	13,888,613	9,501

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(2) Budget Matters, Continued

General Fund - Actual expenditures for the above functions and activities exceeded budget by \$16,274,810. These overages in the General Fund were mainly funded through expenditure savings in other General Fund activities of \$7.3 million and by additional General Fund revenues of \$2.9 million.

Juvenile Justice and Abuse/Neglect Fund - Actual expenditures exceeded budget by \$13.8 million. The deficit in the fund of \$10.5 million will be carried over into the next fiscal year and funded through additional General Fund appropriations.

County Library Fund - Expenditures exceeded budget by \$354,037. This overage was funded from additional charges for services.

Drug Enforcement Fund - Expenditures exceeded budget by \$673,022. This overage was funded mainly from additional charges for services and other revenues \$531,864. The remaining deficit in the fund of \$141,158 will be carried over to the next fiscal year and funded from additional charges, fees, and fines.

Nutrition Fund - Expenditures exceeded budget by \$221,939. This expenditure overage was funded mainly from additional federal grants.

Victim Witness Fund - Expenditures exceeded budget by \$17,890. This expenditure overage was funded mainly from additional General Fund appropriations of \$20,392.

General Debt Service Fund - Actual expenditures exceeded budget by \$2.5 million. This overage was funded from existing fund balance.

Wayne County Building Authority Debt Service Fund - Expenditures exceeded budget by \$9,501. This expenditure overage was funded from additional interest earnings.

(3) Self Insurance

The County is self-insured for worker's compensation, certain health benefits and other claims, litigation, and assessments. Accruals for claims, litigation, and assessments are recorded in the government-wide and proprietary fund financial statements. These accruals are recorded in the fund financial statements, within the governmental funds, when the amounts will be paid from available and expendable financial resources. All other amounts are recorded in the government-wide financial statements when probable of loss and estimable in amount.

Health insurance and worker's compensation claims that are probable of loss and estimable in amount are included in the government-wide proprietary and fiduciary fund financial statements. Other claims consist of property damage and minor auto damage claims. The amount of claims liability is based on analyses performed by outside consultants and includes an estimate of incurred claims that have not yet been reported. The County purchases commercial insurance for claims in excess of coverage provided by the internal service funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(3) Self Insurance, Continued

A reconciliation of the County's self-insured claims liability at September 30, 2003 follows:

	Worker's Compensation	Hospitalization Insurance	Other Claims	Total
Claims liability, September 30, 2001	\$ 12,696,000	4,109,543	75,000	\$ 16,880,543
Claims incurred during fiscal year 2002	1,620,773	62,462,603	157,535	64,240,911
Change in estimate for prior period claims	(4,562,021)	(234,559)	-	(4,796,580)
Payments on claims	(329,149)	(62,188,494)	(157,535)	(62,675,178)
Claims liability, September 30, 2002	9,425,603	4,149,093	75,000	13,649,696
Claims incurred during fiscal year 2003	(439,802)	69,607,309	97,456	69,264,963
Change in estimate for prior period claims	(662,046)	(3,916,219)	-	(4,578,265)
Payments on claims	(1,042,822)	(65,485,408)	(97,456)	(66,625,686)
Claims liability, September 30, 2003	\$ 7,280,933	4,354,775	75,000	\$ 11,710,708

(4) Cash and Investments

At September 30, 2003, the County's cash and investments are categorized as follows:

Investment Type	Risk Category	Governmental Activities	Business-Type Activities	Component Units	Fiduciary	Totals
Deposits - (Cash and Certificates of Deposit)	N/A	\$ 8,933,953	671,581	47,317,593	22,428,849	\$ 79,351,976
Commercial Paper	1	95,000,000	-	134,793,485	-	229,793,485
Money Market Pooled Funds	N/A	53,775,322	50,164,890	20,920,875	348,383,504	473,244,591
U.S. Government Obligations	1	39,628,574	2,930,002	185,245,380	63,330,007	291,133,963
Foreign Government Obligations	1	-	-	-	38,380	38,380
Municipal Bonds	1	-	-	-	1,113,060	1,113,060
Corporate Bonds	1	-	-	-	122,395,732	122,395,732
Registered Investment Companies	1	-	-	-	153,950,598	153,950,598
Investments and Partnerships	N/A	-	-	-	114,568,206	114,568,206
Common Stock	1	-	-	-	375,344,004	375,344,004
Mortgages	N/A	9,335,550	-	-	208,749,319	218,084,869
Participant Loans - Promissory Notes	N/A	-	-	-	22,117,354	22,117,354
		\$ 206,673,399	53,766,473	388,277,333	1,432,419,013	\$ 2,081,136,218

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(4) Cash and Investments, Continued

	<u>Equity in Pooled Cash and Investments</u>	<u>Other Cash and Investments</u>	<u>Total</u>
Governmental activities	\$ 169,665,917	37,007,482	\$ 206,673,399
Business-type activities	<u>52,293,747</u>	<u>1,472,726</u>	<u>53,766,473</u>
Total primary government	<u>221,959,664</u>	<u>38,480,208</u>	<u>260,439,872</u>
Fiduciary funds	155,426,793	1,276,992,220	1,432,419,013
Component Units	<u>20,064,570</u>	<u>368,212,763</u>	<u>388,277,333</u>
Total Reporting Entity	<u>\$ 397,451,027</u>	<u>1,683,685,191</u>	<u>\$ 2,081,136,218</u>

At year-end, deposits consisted primarily of cash and certificates of deposit. The carrying amount of the County's deposits was \$59.8, excluding Airport Authority deposits of \$32.5, million and the bank balance was \$75.7 million. These amounts are exclusive of the Airport Authority's deposits. These deposits are no longer included in the County's cash pools nor are they recorded in the County's general ledger. Of the bank balance, \$.6 million was covered by federal depository insurance and \$75.1 million was uninsured and uncollateralized.

In accordance with GASB Statement No. 3 *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, investments are categorized to give an indication of the level of risk assumed by the entity as follows:

Category 1: Investments that are insured or registered, or for which the securities are held by the County or its agent in the County's name.

Certain types of investments, such as money market pooled funds and mutual funds, are not categorized because they are not evidenced by securities that exist in physical or book-entry form.

The County maintains 13 cash and investment pools, of which 5 are trust pools, which are administered by third party trustees. The Wayne County Treasurer administers the remaining 8 cash and investment pools. The General Pool is available for use by all funds; the Bond Reserve Pool is used for specific bond funds, and the Building Authority Pool consists of resources related to the WCBA capital improvement bonds.

The trust pools administered by third party trustees consist of resources related to specific bond issues for funding the cost of certain capital improvements, including acquiring, construction, equipment, and furnishing projects.

The portion of the 13 pools for each major fund is displayed in the fund financial statements as "Equity in pooled cash and investments." Certain amounts deposited in the General Pool may be designated or restricted for grants, programs, or other purposes. Accounting control is maintained over these pooled designated or restricted balances.

Investments are also separately held in trust accounts by several of the County's funds, including General Debt Service, Stadium Authority, Building Authority, Budget Stabilization, Rouge Valley Sewage Disposal System, Trust and Agency, Retainages, and Pension Trust funds.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(4) Cash and Investments, Continued

Cash and investments in the pooled accounts are allocated to the respective County funds and accounts based on an internal ledger system maintained by the County Treasurer. At September 30, 2003, restricted cash and investments in the General Pool totaled \$.7 million. Restricted cash and investments in the Bond Reserve Pool totaled \$45.0 million. Restricted cash and investments in the Downriver Bond and Interest Pool and the Downriver Bond Reserve Pool totaled \$1.4 million and \$.2 million, respectively.

The County's investment policies are governed by State statutes. General County funds must be deposited in government-insured accounts in banks or thrifts and may not be deposited in financial institutions located in states other than Michigan. Permissible investments include obligations of the U.S. Treasury and agencies (either individually or in pooled funds), domestic certificates of deposit, commercial paper with prescribed ratings, and repurchase agreements. The types of investments, investment terms, and the financial institutions used for investment purposes are determined based upon the County's needs. The County Treasurer periodically assesses the financial strength of the services provided by these financial institutions to help ensure that integrity of principal is maintained.

In accordance with the County's investment policy, the County invests in mortgage-backed securities. These securities are reported at fair value in the Statement of Net Assets and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities decline. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated. The County invests in mortgage-backed securities to diversify the portfolio and to increase the return, while minimizing the extent of risk.

The Wayne County Employees' Retirement System's investments, which are under the control of the Wayne County Retirement Board, are subject to a number of restrictions as to type, quality, and concentration of investment, including limiting common stock to 60 percent (at cost) of the portfolio. Investments in government-insured and other mortgages include mortgage-backed securities and conventional and construction mortgages collateralized by real property. Evaluations of real property are performed by outside consultants. Common stock and corporate bonds are limited to publicly traded companies recommended by several investment advisors.

Component Units

As of September 30, 2003, cash and investments of the component units, excluding the Airport Authority, in the amount of \$20.1 million were maintained in the County's General Pool. No pooled monies are directly attributable to a specific bank account or investment.

(5) Restricted Assets

In accordance with the terms of bond ordinances and for other purposes, certain sewage disposal systems and the Airport Authority are required to restrict assets for various purposes. Net assets relating to certain of the restricted assets have been restricted.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(5) Restricted Assets, Continued

Restricted assets on the government-wide Statement of Net Assets, totaling \$621 million, represent those amounts that are pledged toward the payment of outstanding bonds and notes.

A summary of the restricted assets of the Sewage Disposal Systems and the Airport Authority at September 30, 2003, follows:

	Sewage Disposal Systems	Airport Authority	Total
Operations and maintenance:			
Other cash and investments	\$ -	22,996,948	\$ 22,996,948
Accounts receivable	-	16,093	16,093
	-	23,013,041	23,013,041
Replacements and improvements:			
Equity in pooled cash and investments	11,129,488	-	11,129,488
Other cash and investments	-	1,725,861	1,725,861
	11,129,488	1,725,861	12,855,349
Construction:			
Equity in pooled cash and investments	(10,820,988)	-	(10,820,988)
Other cash and investments	1,472,726	67,780,797	69,253,523
Accounts receivable	571,294	211,199	782,493
	(8,776,968)	67,991,996	59,215,028
Bond and interest redemption:			
Equity in pooled cash and investments	34,716,323	-	34,716,323
Other cash and investments	-	192,673,250	192,673,250
Accounts receivable	11,306,765	1,615,318	12,922,083
	46,023,088	194,288,568	240,311,656
Bond principal due from municipalities	231,530,952	-	231,530,952
Passenger facilities charges:			
Other cash and investments	-	41,141,984	41,141,984
Accounts receivable	-	10,943,618	10,943,618
	-	52,085,602	52,085,602
Drug Enforcement			
Other cash and investments	-	1,954,358	1,954,358
Accounts receivable	-	671	671
	-	1,955,029	1,955,029
Total	\$ 279,906,560	341,060,097	\$ 620,966,657

Bond principal due from municipalities are recorded upon the issuance of debt for construction of sewage facilities and systems. Such principal will be repaid by the benefited local communities in accordance with the debt service requirements of the County.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(6) Major Customer - Airport Authority Component Unit

Northwest Airlines, Inc. (Northwest) accounted for approximately 32 percent of total Airport Authority operating revenues for the year ended September 30, 2003, including approximately 63 percent of airport landing and related fees, approximately 52 percent of rental and expense recoveries and approximately 74 percent of facility use fees from tenants during fiscal year 2003. Approximately 60 percent of total fiscal year 2003 enplanements are attributable to Northwest's operations. In the event Northwest discontinued its operations, there are no assurances that another airline would replace its hub activities.

Existing operating agreements with all signatory airlines serving the Airport Authority provide reasonable assurance that all remaining airlines would continue to pay the net operating costs and debt service requirements of the Authority. The Airport Authority had approximately \$12.6 million in net receivables from Northwest at September 30, 2003.

(7) Long-term Receivables

In 1984, the County, through the EDC, entered into an agreement for the sale and leaseback of the Wayne County Building with the Old Wayne County Building Limited Partnership. The terms of the capital lease provide for the refurbishment and restoration of the building in return for a note for \$5.3 million, at 9%, per annum. The lease requires minimum semi-annual payments of \$500,000. The amount outstanding on the note receivable and lease payable at September 30, 2003 was \$24,922,961 (Note 11).

In May 1999, the County through the Equipment Leasing Fund (ELF) acquired and leased back land for the Pinnacle Aeropark Project to the County's Pinnacle Fund. The lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date. The lease requires minimum semi-annual payments of \$1,285,767 from the County's Pinnacle Fund. The amount outstanding at September 30, 2003 was \$32,829,962 (Note 11).

In September 2002, the County, through the ELF Fund, acquired and leased back all Golf Course Fund capital assets. A gain of \$1,984,870 was recognized in the Parks Fund, along with a corresponding long-term receivable from the ELF Fund, which will be amortized over three years. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date. The lease requires minimum annual payments in the amount of \$727,550. The amount outstanding at September 30, 2003 was \$13,769,359 (Note 11).

In September 2000 and 2001, the County through the ELF Fund acquired and leased back various items of equipment to the Circuit Court, under two five-year lease agreements with a total cost of \$4.6 and \$1.7 million, respectively. These agreements qualified as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the inception date. The required minimum monthly lease payments amount to \$89,213 and \$33,641, respectively. The amount outstanding at September 30, 2003 was \$3,585,339 (Note 11).

In June 2001, the County entered into a loan agreement (Note 11) with the Federal National Mortgage Association (Fannie Mae), the proceeds of which are loaned, as needed, to the Housing and Community Development Corporation (HCDC), a Michigan non-profit corporation, for the purpose of acquiring, managing, maintaining, renovating, demolishing, marketing and selling blighted properties located primarily in Highland Park, Michigan. These loans are payable by HCDC to the County (with interest thereon at a per annum rate identical to that required by Fannie Mae) from profits, to the extent available, from the sale of housing units. The outstanding receivable from HCDC at September 30, 2003 of \$2,431,000 was written off after year-end as proceeds were not available to pay off the debt.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(7) Long-term Receivables, Continued

Other long-term receivables in the General Fund and the Roads Fund relate to building lease security deposits of \$643,793 and federal and State of Michigan agreements on various Roads Fund Projects of \$1,680,522, respectively.

(8) Capital Assets

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the governmental capital assets.

Capital assets activity for the year ended September 30, 2003 was as follows:

	Primary Government		
	Beginning Balance	Increases	Decreases
			Ending Balance
<i>Governmental activities:</i>			
Non-depreciable capital assets:			
Land	\$ 545,777,809	820,104	(623,703) \$ 545,974,210
Construction in progress	1,573,968	40,848,095	(20,616,089) 21,805,974
Total non-depreciable capital assets	547,351,777	41,668,199	(21,239,792) 567,780,184
Depreciable capital assets:			
Land improvements	12,702,991	54,399	- 12,757,390
Buildings and improvements	311,462,399	7,061,146	- 318,523,545
Machinery, equipment and vehicles	114,072,515	4,817,894	(4,358,630) 114,531,779
Infrastructure	1,367,975,201	20,375,348	(820,104) 1,387,530,445
Total depreciable capital assets	1,806,213,106	32,308,787	(5,178,734) 1,833,343,159
Accumulated depreciation:			
Land improvements	(7,130,801)	(464,385)	- (7,595,186)
Buildings and improvements	(137,825,448)	(10,809,694)	- (148,635,142)
Machinery, equipment and vehicles	(77,384,259)	(14,188,601)	4,232,926 (87,339,934)
Infrastructure	(760,956,585)	(43,619,979)	- (804,576,564)
Total accumulated depreciation	(983,297,093)	(69,082,659)	4,232,926 (1,048,146,826)
Total depreciable capital assets, net	822,916,013	(36,773,872)	(945,808) 785,196,333
Total governmental activities capital assets, net	\$ 1,370,267,790	4,894,327	(22,185,600) \$ 1,352,976,517

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(8) Capital Assets, Continued

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
Legislative	\$ 12,347
Judicial	1,934,234
General government	9,624,575
Public safety	5,642,005
Highways, streets and bridges	49,763,462
Health and welfare	706,327
Recreation and cultural	1,399,709
Total depreciation expense - governmental activities	<u>\$ 69,082,659</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type activities:</i>				
Downriver Sewage Disposal System:				
Non-depreciable capital assets:				
Land	\$ 2,426,717	-	-	\$ 2,426,717
Construction in progress	9,062,309	413,210	(9,475,519)	-
Total non-depreciable capital assets	11,489,026	413,210	(9,475,519)	2,426,717
Depreciable capital assets:				
Land improvements	150,033	-	-	150,033
Buildings and improvements	18,831,325	-	-	18,831,325
Machinery, equipment and vehicles	134,658	7,815	-	142,473
Infrastructure (Sewage disposal systems)	338,394,709	10,384,614	-	348,779,323
Total depreciable capital assets	357,510,725	10,392,429	-	367,903,154
Accumulated depreciation:				
Land improvements	(136,068)	(860)	-	(136,928)
Buildings and improvements	(14,973,512)	(527,110)	-	(15,500,622)
Machinery, equipment and vehicles	(127,486)	(4,949)	-	(132,435)
Infrastructure (Sewage disposal systems)	(43,300,688)	(12,262,436)	-	(55,563,124)
Total accumulated depreciation	(58,537,754)	(12,795,355)	-	(71,333,109)
Total depreciable capital assets, net	298,972,971	(2,402,926)	-	296,570,045
Total Downriver Sewage Disposal System capital assets, net	<u>\$ 310,461,997</u>	<u>(1,989,716)</u>	<u>(9,475,519)</u>	<u>\$ 298,996,762</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(8) Capital Assets, Continued

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Rouge Valley Sewage Disposal System:				
Non-depreciable capital assets:				
Land	\$ 1,448,847	-	-	\$ 1,448,847
Construction in progress	-	179,890	(179,890)	-
Total non-depreciable capital assets	1,448,847	179,890	(179,890)	1,448,847
Depreciable capital assets:				
Buildings and improvements	9,019,540	-	-	9,019,540
Infrastructure (Sewage disposal systems)	116,120,788	383,295	-	116,504,083
Total depreciable capital assets	125,140,328	383,295	-	125,523,623
Accumulated depreciation:				
Buildings and improvements	(3,778,581)	(277,183)	-	(4,055,764)
Infrastructure (Sewage disposal systems)	(27,859,139)	(1,651,016)	-	(29,510,155)
Total accumulated depreciation	(31,637,720)	(1,928,199)	-	(33,565,919)
Total depreciable capital assets, net	93,502,608	(1,544,904)	-	91,957,704
Total Rouge Valley Sewage Disposal System capital assets, net	\$ 94,951,455	(1,365,014)	(179,890)	\$ 93,406,551

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(8) Capital Assets, Continued

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
CSO Basins Sewage Disposal System:				
Non-depreciable capital assets:				
Construction in progress	\$ -	111,424	(111,424)	\$ -
Total non-depreciable capital assets	-	111,424	(111,424)	-
Depreciable capital assets:				
Buildings and improvements	83,341,503	111,424	-	83,452,927
Machinery, equipment and vehicles	-	7,830	-	7,830
Infrastructure (Sewage disposal systems)	3,363,652	-	-	3,363,652
Total depreciable capital assets	86,705,155	119,254	-	86,824,409
Accumulated depreciation:				
Buildings and improvements	(11,143,866)	(3,383,668)	-	(14,527,534)
Machinery, equipment and vehicles	-	(1,044)	-	(1,044)
Infrastructure (Sewage disposal systems)	(67,273)	(135,933)	-	(203,206)
Total accumulated depreciation	(11,211,139)	(3,520,645)	-	(14,731,784)
Total depreciable capital assets, net	75,494,016	(3,401,391)	-	72,092,625
Total CSO Basins Sewage Disposal System capital assets, net	\$ 75,494,016	(3,289,967)	(111,424)	\$ 72,092,625

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(8) Capital Assets, Continued

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Non-major business-type activities:</i>				
Non-depreciable capital assets:				
Land	\$ 1,012,645	-	-	\$ 1,012,645
Construction in progress	155,467	-	-	155,467
Total non-depreciable capital assets	1,168,112	-	-	1,168,112
Depreciable capital assets:				
Buildings and improvements	9,960,575	-	-	9,960,575
Machinery, equipment and vehicles	193,376	-	-	193,376
Infrastructure (Sewage disposal systems)	1,052,873	-	-	1,052,873
Total depreciable capital assets	11,206,824	-	-	11,206,824
Accumulated depreciation:				
Buildings and improvements	(4,312,866)	(318,228)	-	(4,631,094)
Machinery, equipment and vehicles	(16,840)	(35,502)	-	(52,342)
Infrastructure (Sewage disposal systems)	(303,337)	(13,247)	-	(316,584)
Total accumulated depreciation	(4,633,043)	(366,977)	-	(5,000,020)
Total depreciable capital assets, net	6,573,781	(366,977)	-	6,206,804
Total non-major business-type activity capital assets, net	7,741,893	(366,977)	-	7,374,916
Grand total business-type activity capital assets, net	\$ 488,649,361	(7,011,674)	9,766,833	\$ 471,870,854

Depreciation expense was charged to the funds of the primary government as follows:

Business-type activities:	
Sewage Disposal Systems	\$ 18,575,674
Jail Commissary	35,502
Total depreciation expense - business-type activities	\$ 18,611,176

Construction in progress involves various Sewage Disposal System improvements. Because these projects are substantially complete, costs have been capitalized and depreciated under the appropriate capital asset category. Remaining costs to be incurred to complete these projects are estimated at \$3.3 million. These projects are expected to be funded by future contributions from federal grants, participating local government units, and assets restricted for improvements.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(8) Capital Assets, Continued

Discretely presented component units

Capital assets activity for the year ended September 30, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Airport Authority:				
Non-depreciable capital assets:				
Land	\$ 170,036.135	71,173	-	\$ 170,107.308
Construction in progress	118,688,315	101,215,992	(186,376,114)	33,528.193
Total non-depreciable capital assets	<u>288,724,450</u>	<u>101,287,165</u>	<u>(186,376,114)</u>	<u>203,635.501</u>
Depreciable capital assets:				
Buildings and improvements	1,286,726.032	160,650.617	-	1,447,376.649
Airport paving	622,676,476	19,269,925	-	641,946,401
Airport systems	295,537,079	775,050	-	296,312.129
Machinery, equipment and vehicles	43,836,704	1,008,299	-	44,845,003
Infrastructure	<u>182,561.031</u>	<u>6,957,795</u>	<u>-</u>	<u>189,518.826</u>
Total depreciable capital assets	<u>2,431,337,322</u>	<u>188,661,686</u>	<u>-</u>	<u>2,619,999,008</u>
Accumulated depreciation:				
Buildings and improvements	(172,544.007)	(54,743,585)	-	(227,287,592)
Airport paving	(254,805,726)	(20,103,016)	-	(274,908,742)
Airport systems	(145,705,035)	(11,091,267)	-	(156,796,302)
Machinery, equipment and vehicles	(29,677,631)	(3,868,244)	-	(33,545,875)
Infrastructure	<u>(19,086.141)</u>	<u>(7,075,995)</u>	<u>-</u>	<u>(26,162.136)</u>
Total accumulated depreciation	<u>(621,818,540)</u>	<u>(96,882,107)</u>	<u>-</u>	<u>(718,700,647)</u>
Total depreciable capital assets, net	<u>1,809,518,782</u>	<u>91,779,579</u>	<u>-</u>	<u>1,901,298,361</u>
Total Airport Authority capital assets, net	<u>\$ 2,098,243,232</u>	<u>193,066,744</u>	<u>(186,376,114)</u>	<u>\$ 2,104,933,862</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(8) Capital Assets, Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Circuit Court:				
Non-depreciable capital assets:				
Land	\$ 7,500,662	-	-	\$ 7,500,662
Total non-depreciable capital assets	<u>7,500,662</u>	<u>-</u>	<u>-</u>	<u>7,500,662</u>
Depreciable capital assets:				
Land improvements	188,400	-	-	188,400
Buildings and improvements	28,589,475	-	-	28,589,475
Machinery, equipment and vehicles	9,096,109	5,455	-	9,101,564
Total depreciable capital assets	<u>37,873,984</u>	<u>5,455</u>	<u>-</u>	<u>37,879,439</u>
Accumulated depreciation:				
Land improvements	(146,225)	(10,181)	-	(156,406)
Buildings and improvements	(25,049,083)	(265,395)	-	(25,314,478)
Machinery, equipment and vehicles	(4,831,116)	(1,463,897)	-	(6,295,013)
Total accumulated depreciation	<u>(30,026,424)</u>	<u>(1,739,473)</u>	<u>-</u>	<u>(31,765,897)</u>
Total depreciable capital assets, net	<u>7,847,560</u>	<u>(1,734,018)</u>	<u>-</u>	<u>6,113,542</u>
Total Circuit Court capital assets, net	<u>\$ 15,348,222</u>	<u>\$ (1,734,018)</u>	<u>\$ -</u>	<u>\$ 13,614,204</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(8) Capital Assets, Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Non-major component units:				
Non-depreciable capital assets:				
Land	\$ 78,786,811	3,196,932	-	\$ 81,983,743
Construction in progress	-	904,054	-	904,054
Total non-depreciable capital assets	78,786,811	4,100,986	-	82,887,797
Depreciable capital assets:				
Land improvements	13,852,326	-	-	13,852,326
Buildings and improvements	682,034,973	20,879,828	-	702,914,801
Machinery, equipment and vehicles	23,867,288	54,003	-	23,921,291
Total depreciable capital assets	719,754,587	20,933,831	-	740,688,418
Accumulated depreciation:				
Land improvements	(1,061,752)	(702,150)	-	(1,763,902)
Buildings and improvements	(46,041,113)	(28,446,750)	-	(74,487,863)
Machinery, equipment and vehicles	(1,549,490)	(3,266,364)	-	(4,815,854)
Total accumulated depreciation	(48,652,355)	(32,415,264)	-	(81,067,619)
Total depreciable capital assets, net	671,102,232	(11,481,433)	-	659,620,799
Non-major component units capital assets, net	749,889,043	(7,380,447)	-	742,508,596
Grand total discretely presented component units capital assets, net	\$ 2,863,480,497	183,952,279	186,376,114	\$ 2,861,056,662

Depreciation expense was charged in the component unit funds as follows:

Airport Authority	\$ 96,882,107
Circuit Court	1,739,473
Stadium Authority	31,580,995
Drainage Districts	834,269
Total depreciation expense - component units	\$ 131,036,844

For the year ended September 30, 2003, the amount of interest capitalized for discretely presented component units was \$1.9 million.

The Airport Authority's construction in progress involves various airport paving and other system improvements in the approximate amount of \$1.2 million and \$32.3 million, respectively, at September 30, 2003.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(8) Capital Assets, Continued

Fiduciary Funds

Capital assets activity for the year ended September 30, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets:				
Machinery, equipment and vehicles	\$ 3,824,010	263,398	-	\$ 4,087,408
Total depreciable capital assets	3,824,010	263,398	-	4,087,408
Accumulated depreciation:				
Machinery, equipment and vehicles	(3,701,288)	(76,569)	-	(3,777,857)
Total accumulated depreciation	(3,701,288)	(76,569)	-	(3,777,857)
Total depreciable capital assets, net	122,722	186,829	-	309,551
Total fiduciary capital assets, net	\$ 122,722	186,829	-	\$ 309,551

(9) Property Taxes

County Tax Levy

The County property tax is levied each December 1 (lien date). Historically, pursuant to the County Charter and State law, the County has levied an ad valorem property tax against the State Equalized Valuation (SEV), based on property values determined by local assessors in the several townships and cities as of the preceding December 31. By statute, these assessment values are calculated at 50 percent of true cash value. Real and personal property in Wayne County for the December 1, 2002 (fiscal year 2003) levy was equalized at \$ 53.8 billion.

In 1994, Michigan voters approved Proposal A, which limits future annual increases in assessed values to the lesser of 5 percent or the rate of inflation, with assessed value reverting to 50 percent of true cash value when the property is sold. Beginning in 1995, taxable property had two valuations: SEV and Taxable Value, with property taxes calculated upon the Taxable Value of real and personal property. Generally, Taxable Value is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the inflation rate or 5 percent, plus additions, or (b) the property's current SEV. Therefore, Taxable Value of a property may be different from the same property's SEV. As of December 1, 2002 (fiscal year 2003), the Taxable Value of property in Wayne County was \$41.9 billion. County property taxes are receivable beginning on the December 1 levy date and become delinquent on March 1 of the following year.

By statute, the County's ad valorem property tax rate may not exceed 10.0 mills, plus any additional millage as authorized by statute and as approved by the voters of the County. The County Charter, as approved by the electorate on November 3, 1981, established 8.93 mills to be the maximum rate for general operating purposes.

In 1988, the Wayne County electorate voted one additional mill (jail millage) to be levied through December 1, 1997, to acquire, construct, and/or operate jail, misdemeanor, juvenile incarceration or

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(9) Property Taxes, Continued

detention facilities; and for adult-penalty options such as work release, home detention, and community restitution, with at least one-tenth of a mill set aside to acquire, build, and operate a juvenile offender work/training institution. The unexpended portion of this one-tenth millage is included in the Youth Services Fund's fund balance. In 2002, the Wayne County electorate voted to continue this one additional mill (as reduced by the Headlee requirements of the Michigan Constitution) for the years 2002 through 2011.

In 1990, the voters of Wayne County approved an additional 1 mill for general operating purposes to be levied through December 1, 1999, for general operating purposes. In 2000, the Wayne County electorate voted to continue the additional one mill for operating (as reduced by the Headlee requirements of the Michigan Constitution) for the years 2000 through 2009.

In 1996, the voters of Wayne County approved an additional quarter-mill to be levied through December 1, 2000, to fund operations and major improvements in the Wayne County Park System and historic Fort Wayne. In 2000, the Wayne County electorate voted to continue the additional quarter-mill (as reduced by the Headlee requirements of the Michigan Constitution) for the years 2001 through 2005.

The 1976 Headlee Amendment (Michigan Constitution, Article IX) provides that the total County ad valorem property tax levy is subject to reduction in any year in which the increase in assessed (or taxable) values on existing properties exceeds the Consumer Price Index. As a result of the Headlee Amendment, the December 1, 2003 tax rates, per \$1,000 of Valuation, were:

Charter (Statutory)	5.6483
Public Safety (Jail millage)	0.9381
Extra Voted (Additional general)	0.9529
County Parks	0.2459
Soldiers Relief (Veteran's relief)	<u>0.0368</u>
Total	<u>7.8220</u>

Delinquent Tax Revolving Fund

The Wayne County Treasurer (Treasurer) is required by the General Property Tax Law, (Act 206 of 1893) as amended, to collect delinquent real property taxes levied by all local units of government within the County. Public Act 123 of 1999 (the Act) amended the General Property Tax Law to subject tax delinquent property to expedite forfeiture, foreclosure, and sale over a two-year period. All property returned for delinquent taxes, and upon which taxes, interest, penalties, and fees remain unpaid after the property is returned as delinquent to the County Treasurer, is subject to forfeiture, foreclosure, and sale for the enforcement and collection of the delinquent taxes. The Act reformed the tax reversion process by shortening the process to two years and amending the May Tax Sale process. The Act also established the primary responsibility for administration with the Treasurer.

In addition, under the Act, the Treasurer pays the local governmental unit's Treasurer in full for delinquent real property taxes owed according to the delinquent tax roll "returned" to the Treasurer. Taxes eligible for payment under this section include all delinquent taxes, except taxes on personal property, due and payable to the taxing authorities in the County. The County Treasurer is then responsible for the collection of all outstanding delinquent taxes, due to the County, local school district, intermediate school district, community college district, city, township, special assessment district, or any

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(9) Property Taxes, Continued

other taxing authority. The County retains all interest and penalties generated by the delinquent taxes to offset its tax collection costs.

Effective March 1, 2004, payment of delinquent real property taxes for the City of Detroit changed pursuant to Michigan Public Act 246. The Act now requires the City of Detroit to become a part of the uniform state property tax collection process, and changed the Wayne County Treasurer's responsibility to include collection of delinquent City of Detroit property taxes.

The General Property Tax Law authorizes the Treasurer to establish a Delinquent Tax Revolving Fund, an enterprise fund, to buy any or all delinquent real property taxes and special assessments owed to the County and taxing authorities in the County. The assets of the Delinquent Tax Revolving Fund, including delinquent property taxes receivable amounting to \$59.3 million at September 30, 2003, are pledged as collateral for payment of the General Obligation Limited Tax Notes. Proceeds of the notes are used to liquidate amounts due to the County's General Fund, other County funds, the communities, and other governmental agencies for the purchase of the delinquent real property taxes receivable. Debt service on the notes is funded by subsequent collections on delinquent taxes, plus interest and collection fees thereon, and by investment earnings.

In July 2003, the County issued \$82.8 million of General Obligation Limited Tax Notes, Series 2003, due October 15, 2004, for the purpose of financing the purchase of 2002 real property taxes declared delinquent on March 1, 2003 (Note 11). Amounts remaining from the 2000 and prior Delinquent Tax Funds at September 30, 2003 are no longer required for debt service or administration. A portion of the excess earnings (surpluses) relating to these funds are periodically transferred to the County's General Fund. During 2003, such transfers amounted to \$10 million to the General Fund.

In May 2004, in connection with the purchase of 2003 delinquent property taxes, the County issued \$82.2 million of General Obligation Limited Tax Notes, Series 2004A, to cover delinquent taxes for the City of Detroit and state and local school taxes within the City of Detroit. These notes mature on May 26, 2006. Interest on the notes shall be payable monthly at a variable interest rate (1.18% on the date of issuance) equal to the sum of eight basis points (0.08%) per annum plus the Eurodollar Base Rate.

In June 2004, the County issued an additional \$51.3 million in General Obligation Limited Tax Notes, series 2004B, for the remaining Wayne County municipalities and townships. These notes mature on June 30, 2006. Interest on the notes shall be payable monthly at a variable interest rate (1.42% on the date of issuance) equal to the sum of eight basis points (0.08%) per annum plus the Eurodollar Base Rate.

Real property taxes not collected within three years after the sale of the related General Obligation Limited Tax Notes are charged back to the appropriate taxing authorities (including the County's General Fund). During 2003, approximately \$1.4 million of delinquent taxes receivable, net of related tax sales auction proceeds, were reflected as a reduction of property tax revenues in the County's General Fund. At September 30, 2003, three years of the County's delinquent real property taxes receivable are recorded in the Delinquent Tax Revolving Fund.

(10) Interfund Transfers, Balances, and Advances

Interfund Transfers

Interfund transfers are used to 1) transfer revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the debt service funds as debt service payments become due, and 3) transfer unrestricted revenues collected in the General Fund to other funds to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended September 30, 2003 consisted of the following:

		Transfers Out					
		General Fund	Roads	Non-major Governmental Funds	Delinquent Tax Revolving	Internal Service Funds	Total Transfers In
Transfers In	General Fund	\$ -	-	13,115,887	10,000,000	2,674,683	\$ 25,790,570
	Roads	-	-	-	-	845,149	845,149
	Mental Health	17,733,714	-	-	-	12,505	17,746,219
	Health	9,844,900	-	-	-	-	9,844,900
	Juvenile Justice and Abuse/Neglect	76,810,642	-	2,980,424	-	388,158	80,179,224
	Non-major Governmental Funds	8,734,758	5,920,543	-	-	73,384	14,728,685
	Downriver Sewage Disposal System	-	-	-	-	111,184	111,184
	Delinquent Tax Revolving	-	-	-	-	1,746	1,746
	Internal Service Funds	-	-	-	-	6,493,191	6,493,191
	Total Transfers Out	<u>\$ 113,124,014</u>	<u>5,920,543</u>	<u>16,096,311</u>	<u>10,000,000</u>	<u>10,600,000</u>	<u>\$ 155,740,868</u>

During the year, a transfer of \$12,765,887 was made from the Budget Stabilization Fund (a non-major governmental fund) to the General Fund for operations. A transfer of \$10,000,000 was also made from the Delinquent Tax Revolving Fund to the General Fund (Note 9).

In the year ended September 30, 2003, the County made the following one-time transfers:

A transfer of \$4,500,000 from the Worker's Compensation internal service fund to the General Fund and to other County funds. Of this amount, \$2.6 million benefits the General Fund. This rebate was made because these funds had overpaid their worker's compensation obligation.

A transfer for the first time of \$6,100,000 in excess worker's compensation reserves from the Worker's Compensation Fund to the General Health internal service fund to defray the rising costs of health care.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements. Continued
For the year ended September 30, 2003

(10) Interfund Transfers, Balances, and Advances, Continued

Interfund Balances

The interfund balances resulted from the time lag between the dates 1) interfunds goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting systems, 3) payment between funds are made and 4) overdrafts by individual funds of its share of pooled cash.

Interfund balances at September 30, 2003 consisted of the following:

		Due from Other Funds						
		General Fund	Roads	Mental Health	Health	Juvenile Justice and Abuse/Neglect	Non-major Governmental Funds	Downriver Sewage Disposal System
Due to Other Funds	General Fund	\$ -	189,757	13,017,454	1,092,730	59,519,952	14,761,265	19,224
	Roads	495,740	-	-	-	-	-	-
	Mental Health	64,664,102	-	-	-	-	-	-
	Health	120,065						
	Juvenile Justice and Abuse/Neglect	13,122,213	-	-	-	-	-	-
	Non-major Governmental Funds	765,268	-	-	-	-	107,256	-
	Downriver Sewage Disposal System	51,388	-	-	-	-	-	-
	Rouge Valley Sewage Disposal System	895,176	-	-	-	-	-	-
	Delinquent Tax Revolving	5,006,764						
	Internal Service Funds	7,920,773	524,461	93,248	128,980	145,875	902,464	57,555
	Fiduciary Funds	496,529	151,030	23,282	34,984	48,033	73,548	18,613
	Total Due to Other Funds	\$ 93,538,018	\$ 865,248	\$ 13,133,984	\$ 1,256,694	\$ 59,713,860	\$ 15,844,533	\$ 95,392

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(10) Interfund Transfers, Balances, and Advances, Continued

	Due from Other Funds						Total Due from Other Funds
	Rouge Valley Sewage Disposal System	CSO Basins Sewage Disposal System	Delinquent Tax Revolving	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	-	-	2,671	895,176	9,781,154	5,615	99,284,998
Roads	-	-	-	-	1,726,889	-	2,222,629
Mental Health	-	-	-	-	12,505	-	64,676,607
Health	-	-	-	-	-	-	120,065
Juvenile Justice and Abuse/Neglect	-	-	-	-	388,158	-	13,510,371
Non-major Governmental Funds	-	-	-	-	1,271,771	-	2,144,295
Downriver Sewage Disposal System	-	-	-	-	111,183	-	162,571
Rouge Valley Sewage Disposal System	-	-	-	-	-	-	895,176
Delinquent Tax Revolving	-	-	-	-	1,746	-	5,008,510
Internal Service Funds	-	204,431	6,711	-	6,836,130	15,237	16,835,865
Fiduciary Funds	211,342	-	1,754	-	87,367	4,058	\$ 1,150,540
Total Due to Other Funds	<u>\$ 211,342</u>	<u>\$ 204,431</u>	<u>\$ 11,136</u>	<u>\$ 895,176</u>	<u>\$ 20,216,903</u>	<u>\$ 24,910</u>	<u>\$ 206,011,627</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(10) Interfund Transfers, Balances, and Advances, Continued

		Due from Component Units		
		Airport Authority	Circuit Court	Non-Major Component Units
				Total Due from Component Units
Due to Primary Government	Governmental Activities:			
	General Fund	\$ 397,899	26,282,632	505,211
	Roads	2,377,738	-	-
	Mental Health	-	216,109	-
	Non-major Governmental Funds	72,926	555,500	467,620
	Internal Service Funds	2,687,300	272,465	120,642
	Total Due to Primary Government- Governmental Activities	5,535,863	27,326,706	1,093,473
	Downriver Sewage Disposal System	6,426	-	-
	Total Due to Primary Government- Business-type Activities	6,426	-	-
	Total Due to Primary Government	\$ 5,542,289	27,326,706	1,093,473
				\$ 33,962,468

For the year ended September 30, 2003, the principal amounts included in the \$26.3 million in interfunds between the Circuit Court Component Unit and the Primary Government General Fund consist of the following: \$18.3 in borrowings to cover overdrafts for the Circuit Court's share of pooled cash and \$8.3 in General Fund support to the Circuit Court in accordance with the reduction of the Circuit Court's accumulated deficit.

		Due from Primary Government	
		Internal Service General Fund	Total Due from Primary Government
		Funds	
Due to Component Units	Circuit Court	\$ 378,942	283,563
	Non-major		
	Component Units	23,346	-
	Total Due to Component Units	\$ 402,288	283,563
			\$ 685,851

(10) Interfund Transfers, Balances, and Advances, Continued

Advances To/From Other Funds

Advances represent non-current loans involving the transfer of cash between funds within the primary government, usually to provide capital to the ELF Fund, where no goods were sold or services rendered, with the expectation of repayment from future revenues as funds are available. Loans between funds are treated as balance sheet transactions. The borrowing fund reports a liability and an increase in cash, and the lending fund reports a receivable and a decrease in cash. Interfund interest expense is charged on these loans based on a rate, which is determined by net earnings on investment income earned, by the County's pooled cash and investments. This rate is then allocated monthly to the various funds based on each fund's average cash and investment balance.

Non-current balances arising in connection with interfund loans are reported as advances. Advances to Other Funds is an asset account used to record non-current portions of loans from one fund to another fund within the same reporting entity. Similarly, Advances from Other Funds is a liability account used to record non-current portions of debt owed by one fund to another fund within the same reporting entity. It should be noted that advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that funds are not available for appropriation and are not expendable financial resources.

Advances to/from other funds as of September 30, 2003 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Delinquent Tax Revolving	Equipment Lease Financing	\$ 41,683,127
Worker's Compensation	Equipment Lease Financing	4,090,406
		<u>\$ 45,773,533</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements. Continued
For the year ended September 30, 2003

(10) Interfund Transfers, Balances, and Advances, Continued

Disaggregation of significant receivable and payable balances from other governmental units, net of allowance for uncollectible accounts for governmental activities of \$5,161,270, at September 30, 2003, are as follows:

	Due From			
	State of Michigan	U.S. Federal Government	Local Governments	Total Due From Other Governmental Units
General Fund	\$ 18,962,933	692,139	5,134,869	\$ 24,789,941
Roads	17,107,328	-	1,908,809	19,016,137
Mental Health	4,409,924	-	-	4,409,924
Health	1,559,446	18,521	151,120	1,729,087
Juvenile Justice and Abuse/Neglect	34,571,789	-	996	34,572,785
Non-major Governmental Funds	5,535,300	5,686,371	767,451	11,989,122
Internal Service Funds	14,014	-	3,905	17,919
Total Governmental Activities	<u>\$ 82,160,734</u>	<u>6,397,031</u>	<u>7,967,150</u>	<u>\$ 96,524,915</u>
Downriver Sewage Disposal System	\$ 5,821,425	-	-	\$ 5,821,425
Rouge Valley Sewage Disposal System	9,134,178	-	-	9,134,178
CSO Basins	3,479,636	-	-	3,479,636
Non-major Enterprise Funds	5,136,557	-	-	5,136,557
Total Business-type Activities	<u>\$ 23,571,796</u>	<u>-</u>	<u>-</u>	<u>\$ 23,571,796</u>
Airport Authority	\$ -	24,056,907	-	\$ 24,056,907
Circuit Court	1,447,949	177,581	-	1,625,530
Non-major Component Units	186,394	-	1,782,744	1,969,138
Total Component Units	<u>\$ 1,634,343</u>	<u>24,234,488</u>	<u>1,782,744</u>	<u>\$ 27,651,575</u>

	Due To		
	State of Michigan	Local Governments	Total Governmental Activities
General Fund	\$ 11,685,132	-	\$ 11,685,132
Roads	8,985,666	8,330,371	17,316,037
Mental Health	12,482,155	-	12,482,155
Total Governmental Activities	<u>\$ 33,152,953</u>	<u>8,330,371</u>	<u>\$ 41,483,324</u>
Downriver Sewage Disposal System	\$ 37,277	-	\$ 37,277
Total Business-Type Activities	<u>\$ 37,277</u>	<u>-</u>	<u>\$ 37,277</u>
Airport Authority	\$ -	1,640	\$ 1,640
Circuit Court	2,414,015	-	2,414,015
Non-major Component Units	-	104,133	104,133
Total Component Units	<u>\$ 2,414,015</u>	<u>105,773</u>	<u>\$ 2,519,788</u>
Agency Funds	2,292,539	-	2,292,539
Total Fiduciary Funds	<u>\$ 2,292,539</u>	<u>-</u>	<u>\$ 2,292,539</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(11) Debt and Other Obligations

Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2003 are summarized in the following table. County debt is limited to 10.0 percent (or approximately \$5.3 billion) of State Equalized Value of property in the County at September 30, 2003.

	Beginning Balance	Additions	Reductions	Ending Balance	Principal Amounts Due within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 212,402,816	13,740,000	(17,488,120)	208,654,696	\$ 18,355,744
Revenue bonds	3,739,000	-	(173,000)	3,566,000	272,000
Notes payable	53,069,276	82,800,000	(51,069,276)	84,800,000	83,300,000
Total bonds and notes payable	269,211,092	96,540,000	(68,730,396)	297,020,696	101,927,744
Bond discount	-	(4,385,223)	462,612	(3,922,611)	(462,612)
Bonds and notes payable, net of discount	269,211,092	92,154,777	(68,267,784)	293,098,085	101,465,132
Capital leases:					
Building	18,299,980	-	(1,505,103)	16,794,877	1,413,242
Pinnacle Aeropark	34,058,834	-	(1,228,872)	32,829,962	1,278,239
Parks/Golf Course	14,059,654	-	(290,295)	13,769,359	299,323
Total Capital leases	66,418,468	-	(3,024,270)	63,394,198	2,990,804
Other long-term obligations:					
Claims, litigation and assessments	11,261,750	15,031,968	(3,000,000)	23,293,718	2,045,630
Compensated absences	26,787,626	26,432,257	(26,787,626)	26,432,257	6,617,150
Total other liabilities	38,049,376	41,464,225	(29,787,626)	49,725,975	8,662,780
Total governmental activities	\$ 373,678,936	133,619,002	(101,079,680)	406,218,258	\$ 113,118,716
Business-type Activities:					
Downriver Sewage Disposal System:					
General obligation bonds	\$ 219,548,979	91,916	(11,402,950)	208,237,945	\$ 11,666,123
Deferred gain (loss) on refunding	(388,901)	35,355	-	(353,546)	(35,355)
Total Downriver Sewage Disposal System	219,160,078	127,271	(11,402,950)	207,884,399	11,630,768
Rouge Valley Sewage Disposal System:					
General obligation bonds	5,078,069	6,931	(725,000)	4,360,000	755,000
CSO Basins Sewage Disposal System:					
General obligation bonds	41,903,688	1,357,910	(2,255,000)	41,006,598	2,400,000
Deferred gain (loss) on refunding	(2,052,670)	151,511	-	(1,901,159)	(151,511)
Total CSO Basins Sewage Disposal System	39,851,018	1,509,421	(2,255,000)	39,105,439	2,248,489
Non-major business-type activities:					
Bonds payable:					
Revenue bonds	5,960,000	-	(425,000)	5,535,000	440,000
Deferred loss on refunding	(171,468)	14,289	-	(157,179)	(14,289)
Total bonds payable	5,788,532	14,289	(425,000)	5,377,821	425,711
Total Business-type activities	\$ 269,877,697	1,657,912	(14,807,950)	256,727,659	\$ 15,059,968

(11) Debt and Other Obligations, Continued

Governmental Activities

Delinquent property tax receivables (and amounts collected) are pledged as collateral for the repayment of the September 30, 2003 outstanding General Obligation Limited Tax Notes of \$82.8 million (Note 9).

The County participates in the Equipment and Real Property Financing Program of Michigan Municipal Bond Authority (MMBA) to finance purchases of property and equipment on more favorable borrowing terms than might otherwise be available. The total borrowings by the County may not exceed .5 percent (or approximately \$269 million) of State Equalized Value of property in the County at September 30, 2003. The amount outstanding on these bonds was \$466,000 at September 30, 2003.

In 1988, in connection with the refinancing of certain General Fund obligations in prior years, the County issued \$103.8 million in Fiscal Stabilization Bonds to the MMBA, which concurrently issued Local Government Loan Program Revenue Bonds (Fiscal Stabilization Bonds), Series 1986A, Group 12B (Insured Wayne County Bonds).

The legislation enabling the issuance of the Fiscal Stabilization Bonds and Emergency Loan Board Notes increased the state cigarette tax to provide revenues to the County with which to fund the debt service requirements on this debt. In addition, the legislation provided for a special tax on airport parking to provide additional General Fund unrestricted revenues. The County's share of state cigarette tax collections (estimated to be \$16 million annually) is first applied to service the Fiscal Stabilization Bonds. The County's state revenue sharing has also been pledged as security for these bonds. The County's obligation to pay the Fiscal Stabilization Bonds is a limited tax general obligation supported by the full faith and credit of the County, subject to certain limitations.

In January 1991, the MMBA refunded its Local Government Loan Program Revenue Bonds (Fiscal Stabilization Bonds). Concurrently, the terms of the related Wayne County Fiscal Stabilization Bonds held by the MMBA were modified, principally to revise the timing of the principal payments and the amount of interest, enabling the repayment of the County's Emergency Loan Board notes to be accelerated. These Emergency Loan Board Notes were repaid in 1997.

In May 1992, the Wayne County Building Authority (Authority) issued \$33.6 million in debt to finance construction of the Wayne County Medical Examiner Facility, as well as other capital projects. These bonds are payable by the Authority solely from rental payments to be made by the County and from funds relating to this issue held by the Trustee. The County's obligation to make the rental payments is a limited tax general obligation supported by the full faith and credit of the County, subject to certain limitations.

In March 1994, the Authority issued \$105.9 million in bonds with an average interest rate of 5.8 percent, of which \$97.6 million was used to advance-refund \$97.2 million of bonds, with the remaining \$8.3 million in bonds to be used for renovations and improvements on the Wayne County Youth Home and for the demolition of abandoned buildings on the Eloise Westland property. The County has pledged its full faith and credit for these bonds, subject to certain limitations.

In March 1994, the Authority issued \$3.3 million in bonds to finance assets of the Warren Valley Golf Course. The County has pledged its full faith and credit for these bonds, subject to certain limitations.

(11) Debt and Other Obligations, Continued

In November 1996, the Authority issued \$45.0 million in Series 1996A debt with an average interest rate of 5.8 percent to finance construction of the Wayne County Juvenile Detention Facility, as well as other capital projects. These bonds are payable by the Authority solely from the rental payments to be made by the County and from funds relating to this issue held by the Trustee. The County's obligation to make the rental payments is a limited tax general obligation supported by the full faith and credit of the County, subject to certain limitations.

Michigan Transportation Fund Bonds, Series 1998, in the aggregate amount of \$31.3 million, were issued to fund a portion of the capital improvements to the County's road system. The bonds are due serially through 2012 at interest rates ranging from 4.0% to 5.25%. Bond principal and interest payments are secured by an irrevocable pledge of distributions from the Michigan Transportation Fund pursuant to the provisions of Act 51 of the Michigan Public Acts of 1951. In the event that Act 51 distributions are insufficient to repay these bonds and notes, the County has pledged its full faith and credit for repayment. These bonds are considered limited tax general obligations of the County.

Michigan Transportation Fund Bonds, Series 1999, in the aggregate amount of \$28.7 million, were issued to fund a portion of the capital improvements to the County's road system. The bonds are due serially through 2013 at interest rates ranging from 4.0% to 5.3%. Bond principal and interest payments are secured by an irrevocable pledge of distributions from the Michigan Transportation Fund pursuant to the provisions of Act 51 of the Michigan Public Acts of 1951. In the event that Act 51 distributions are insufficient to repay these bonds and notes, the County has pledged its full faith and credit for repayment. These bonds are considered limited tax general obligations of the County.

In September 2003, the County issued General Obligation Limited Tax Capital Improvement Bonds Series 2003 in the amount of \$13.7 million. The bonds are due serially through 2024 with an average interest rate of 4.3% and will fund structural repairs to the tower of the Wayne County Building, architectural changes and additions to the Prosecutor's offices, other County buildings and the purchase of related equipment. The County has pledged its full faith and credit for repayment, subject to certain limitations.

Claims, litigation, and assessments represent actions, which have been asserted and are probable of loss and estimable. The amount of probable loss has been determined through court orders, judgments, or annual estimates by the County's Corporation Counsel. Claims and assessments that are not probable of loss or are not estimable are discussed in Note 14, Commitments and Contingencies.

The claims liability is generally liquidated through the County's Long-term Disability, General Health, Worker's Compensation and General Liability internal service funds. Those funds finance the payment of those claims by charging the other funds based on budgeted fringe benefit rates. Litigation and assessments are generally liquidated through the General Fund and the Roads Fund.

Amounts accrued for unpaid vacation and sick pay represent the accumulated, vested obligation of the County at September 30, 2003, for such benefits, payable to present governmental fund employees at future dates upon employee termination, retirement, or death.

Payments on the general obligation bonds that pertain to the County's governmental activities are made by the debt service funds, except for the note payable, which is being repaid directly from the Delinquent Tax Revolving Funds enterprise funds. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund and the Roads Fund.

(11) Debt and Other Obligations, Continued

Capital Leases

Effective December 29, 1984, the County, through its Economic Development Corporation (EDC), sold the County Building to the Old Wayne County Building Limited Partnership (the Partnership) for the purpose of restoration and leased it back in 1987 under a ten-year leasing arrangement (Note 7). In 1998, the County entered into a third amendment to the building lease with the Partnership. The ten-year renewal term among other things provides for a renewal option for a second ten-year term and a purchase option at the end of the first and second renewal terms. This lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease requires minimum quarterly payments from the County of \$540,464. The rentals effectively provide for the debt service requirements of the Partnership.

As of September 30, 2003, the outstanding portion of the capital lease obligation associated with the restoration was \$16.8 million.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003, were as follows:

<u>September 30</u>	Wayne County Building Capital Lease Obligation
2004	\$ 2,161,854
2005	2,161,854
2006	2,161,854
2007	2,161,854
2008	2,161,854
2009-2013	10,809,270
2014-2018	<u>12,024,477</u>
Total minimum lease payments	33,643,017
Less: Amount representing interest	<u>(16,848,140)</u>
Present value of minimum lease payments	<u>\$ 16,794,877</u>

In connection with the aforementioned capital lease, the County received a \$5.3 million note from the Partnership which accrues interest at a rate of 9% (Note 7). The value of the note (currently \$24,922,961) at maturity, is anticipated to transfer to the Partnership as a condition for the County to exercise its option to purchase the building. The note is recorded as a long-term receivable and a long-term liability in the Building and Grounds Maintenance Internal Service Fund.

In May 1999, the County authorized the expenditure of up to \$50 million for land acquisition and land development costs for the Pinnacle Aeropark Project, a state of the art business and industrial park located next to the Detroit Metropolitan Wayne County Airport. The acquisition of property cost approximately \$35.2 million and is being accounted for as an eighteen-year capital lease. In connection with this capital

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(11) Debt and Other Obligations, Continued

lease, the County has recorded a long-term capital lease receivable and payable in an internal service fund. The expenditure is financed through the County's ELF Fund and the property is being leased back to the County's Pinnacle Fund. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease requires minimum semi-annual payments from the County's Pinnacle Fund in the amount of \$1,285,767.

As of September 30, 2003, the outstanding portion of the capital lease obligation associated with the Pinnacle Aeropark Project was \$32.8 million.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003, were as follows:

<u>September 30</u>	<u>Pinnacle Aeropark Capital Lease Obligation</u>
2004	\$ 2,571,534
2005	2,571,534
2006	2,571,534
2007	2,571,534
2008	2,571,534
2009-2013	12,857,670
2014-2018	12,857,670
2019	<u>7,465,919</u>
Total minimum lease payments	46,038,929
Less: Amount representing interest	<u>(13,208,967)</u>
Present value of minimum lease payments	<u>\$ 32,829,962</u>

In June 2001, the County entered into a loan agreement with Fannie Mae, a corporation organized and existing under the laws of the United States of America, to borrow \$2.75 million for the purpose of acquiring, managing, maintaining, renovating, demolishing, marketing and selling of blighted properties located primarily in Highland Park, thereby decreasing the number of homes constituting public nuisances, all in furtherance of the County's responsibilities for providing for the health, safety, and welfare of its citizens. This promissory note is backed by the full faith and credit of the County. Remaining annual installments of \$500,000 due on June 1st of 2004 through 2007. Interest shall accrue quarterly and shall be determined by Fannie Mae based on a floating rate, obtained by adding ninety (90) basis points to the three (3) month LIBOR, adjusted quarterly, based on such rate as published in The Wall Street Journal on the last business day of the month immediately preceding each quarter. The note payable at September 30, 2003 of \$2 million to Fannie Mae is included in the government-wide financial statements.

As discussed in Note 7, the County, through the ELF Fund, acquired and leased back all Golf Course Fund capital assets. As of September 30, 2003, the outstanding portion of the capital lease associated with the Parks/Golf Course assets was \$13.8 million. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003, were as follows:

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(11) Debt and Other Obligations, Continued

<u>September 30</u>	<u>Parks/Golf Course Capital Lease Obligation</u>
2004	\$ 727,550
2005	727,550
2006	727,550
2007	727,550
2008	727,550
2009-2013	3,637,750
2014-2018	3,637,750
2019-2023	3,637,750
2024-2028	3,637,750
2029-2032	<u>2,910,202</u>
Total minimum lease payments	21,098,952
Less: Amount representing interest	<u>(7,329,593)</u>
Present value of minimum lease payments	<u>\$ 13,769,359</u>

Operating Leases

The County is committed under 18 leases for office and storage space. These leases are considered for accounting purposes to be non-cancelable operating leases. Lease expenditures for the year ended September 30, 2003, amounted to \$7,388,154. Future minimum lease payments for these leases are as follows:

<u>September 30</u>	<u>Operating Lease Obligations</u>
2004	\$ 7,520,745
2005	7,866,171
2006	7,924,304
2007	8,119,106
2008	<u>8,324,558</u>
Total minimum lease payments	<u>\$ 39,754,884</u>

Business-Type Activities

Sewage Disposal Systems – The principal and interest payments on all the sewage disposal system bonds, other than the Wayne County Northeast Sewage Disposal System revenue bonds, are payable from contributions of the participating local governmental units as set forth in the related sewage disposal system contracts and bond ordinances. The Northeast Sewage Disposal System revenue bonds are payable from the net revenues of the sewage disposal system. The net revenues (as defined) of the sewage disposal system are pledged as collateral for the debt service requirements. In the event of default, the County has agreed to advance funds sufficient for payment of bond principal and interest. The County incurred no net bond interest costs for the year ended September 30, 2003.

In 1994, the County authorized issuance of bonds to the MMBA Revolving Loan Fund for up to \$13.0 million for the Downriver Sewage Disposal System. Through September 30, 2003, the County received \$12.6 million from the revolving loan fund for the projects supported by these bonds.

(11) Debt and Other Obligations, Continued

In 1995, the County authorized additional issuance of bonds to the MMBA Revolving Loan Fund for up to \$21.4 million for the Downriver Sewage Disposal System and the CSO Basins Sewage Disposal System. Through September 30, 2003, the County received \$21.3 million from the revolving loan fund.

In 1995, the County authorized issuance of bonds to the MMBA Revolving Loan Fund for up to \$5.2 million for the Rouge Valley Sewage Disposal System. Through September 30, 2003, the County received \$5.2 million from the revolving loan fund.

In 1996, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$78.8 million for the Downriver Sewage Disposal System. Through September 30, 2003, the County received \$78.0 million from the revolving loan fund.

In 1997, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$84.0 million for the Downriver Sewage Disposal System. Through September 30, 2003, the County received \$82.9 million from the revolving loan fund.

In 1998, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$31.3 million for the Downriver Sewage Disposal System. Through September 30, 2003, the County received \$31.2 million from the revolving loan fund.

In 1998, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$425,000 for the Rouge Valley Sewage Disposal System. Through September 30, 2003, the County received \$425,000 from the revolving loan fund.

In 1999, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$12.6 million for the Downriver Sewage Disposal System. An estimated \$445,000 of this amount is designated for two communities covered under the Chapter 20 Drainage District, a component unit of the County of Wayne, and is reported under the Component Unit segment of County debt. Through September 30, 2003 the County received \$12.5 million from the revolving loan fund, of which \$416,358 is directly attributable to the Chapter 20 Drainage District's bond debt.

In 2000, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$5.1 million for the Downriver Sewage Disposal System. Through September 30, 2003, the County received \$4.9 million from the revolving loan fund.

The County has pledged its full faith and credit on \$10.1 million of water and sewage bonds issued by local communities for various water and sewer construction activities. The obligations are being paid from the revenues of the various communities' water and sewage fund operations. The assets and related obligations have not been reflected within the County's basic financial statements for these activities.

In December 1995, the County authorized the issuance of bonds in an aggregate principal amount of \$16.3 million designated Wayne County Combined Sewer Overflow (City of River Rouge) Bonds, Series B. These bonds were used to finance construction of a combined sewer overflow control facility in the City of River Rouge to comply with the requirements of a federal grant and applicable National Pollutant Discharge Elimination System (NPDES) permit. The obligations are limited tax general obligations of the County of Wayne, but are payable from contractual payments to be received from the City of River Rouge.

(11) Debt and Other Obligations, Continued

In April 1999, the County issued \$23.1 million, Series 1999B Revenue Bonds, under the MMBA Local Government Loan Program to provide resources to advance refund \$20.3 million of existing Sewage Disposal System Debt, Series 1994D, F and G, and Chapter 21 Drainage District, a component unit, Series 1993B. The proceeds of the refunding bonds were placed into an irrevocable trust to provide for all future debt service payments on the retired bonds. As a result, the retired bonds are considered to be defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. This refunding was taken solely to retire the refunded debt and reduce the total of future debt service payments. This bond issue is a limited tax general obligation of the County of Wayne, but is payable from contractual payments to be received from the communities participating in the respective sewage disposal systems benefited. Should the assets in escrow not be sufficient to fund the debt service requirements, additional amounts would be required to be deposited from the respective Sewage Disposal System.

In August 1999, the County issued the Series 1999A Refunding Bonds in the amount of \$6.5 million and the Series 1999B bonds in the amount of \$15.0 million for the Downriver Sewage Disposal System, under the MMBA's Local Government Loan Program. Proceeds from the 1999A Series bonds were used to advance refund \$6.1 million of the existing Sewage Disposal System Debt, Series 1994A. Proceeds from the 1999B Series Bonds were used to finance improvements to the Downriver Sewage Disposal System.

The proceeds of the 1999A refunding bonds were placed into an irrevocable trust to provide for all future debt service payments on the retired bonds. As a result, the retired bonds are considered to be defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. This refunding was taken solely to retire the refunded debt and reduce the total of future debt service payments. This bond issue is a limited tax general obligation of the County, but is payable from contractual payments to be received from the communities participating in the respective sewage disposal systems benefited. Should the assets in escrow not be sufficient to fund the debt service requirements, additional amounts would be required to be deposited from the respective Sewage Disposal System.

Other

The annual requirements to pay principal and interest on the debt as reflected above (excluding claims, litigation and assessments, worker's compensation, capital lease obligations, and compensated absences) at September 30, 2003, are summarized as follows:

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(11) Debt and Other Obligations, Continued

Governmental Activities - Bonds and Notes Payable				
Year Ended September 30	General Obligation		Revenue	
	Principal	Interest	Principal	Interest
2004	\$ 101,655,744	19,426,830	\$ 272,000	206,847
2005	19,499,152	18,386,861	287,000	189,957
2006	19,818,903	18,086,982	305,000	171,997
2007	20,147,147	17,730,116	146,000	158,656
2008	20,063,176	17,300,509	154,000	150,140
2009-2013	73,439,574	36,852,504	913,000	597,733
2014-2018	30,354,000	5,929,522	1,206,000	279,472
2019-2023	7,497,000	845,048	283,000	8,667
2024	980,000	23,275	-	-
Total	<u>\$ 293,454,696</u>	<u>134,581,647</u>	<u>\$ 3,566,000</u>	<u>1,763,469</u>
Bonds Payable	208,654,696	133,418,207		
Notes Payable	84,800,000	1,163,440		
	<u>\$ 293,454,696</u>	<u>134,581,647</u>		

Business-type Activities - Bonds

Downriver Sewage Disposal System-General Obligation

Year Ended September 30	Principal	Interest
2004	\$ 11,666,123	5,196,651
2005	11,976,232	4,908,836
2006	12,248,639	4,612,986
2007	12,573,800	4,310,349
2008	12,886,885	3,997,867
2009-2013	69,433,107	14,943,031
2014-2018	65,417,107	6,113,374
2019-2021	12,036,052	404,352
Total	<u>\$ 208,237,945</u>	<u>44,487,446</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(11) Debt and Other Obligations, Continued

Rouge Valley Sewage Disposal System-General Obligation

Year Ended September 30	Principal	Interest
2004	\$ 755,000	221,011
2005	605,000	183,358
2006	645,000	148,110
2007	685,000	109,918
2008	700,000	69,450
2009-2013	820,000	44,100
2014-2018	125,000	9,844
2019	25,000	281
Total	<u>\$ 4,360,000</u>	<u>786,072</u>

CSO Basins Sewage Disposal System - General Obligation

Year Ended September 30	Principal	Interest
2004	\$ 2,400,000	1,751,127
2005	2,520,000	1,642,391
2006	2,600,000	1,545,611
2007	2,710,000	1,443,993
2008	2,820,000	1,336,297
2009-2013	15,790,000	4,822,762
2014-2018	12,166,598	1,219,489
Total	<u>\$ 41,006,598</u>	<u>13,761,670</u>

Non-major Business-type Activities - Bonds

Year Ended September 30	Principal	Interest
2004	\$ 440,000	152,785
2005	455,000	139,205
2006	460,000	127,505
2007	475,000	115,640
2008	490,000	103,200
2009-2013	2,640,000	310,138
2014	575,000	16,725
Total	<u>\$ 5,535,000</u>	<u>965,198</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(11) Debt and Other Obligations, Continued

In prior years, the County defeased the future principal payments of the following issues by depositing U.S. Treasury obligations with escrow agents:

	Primary Government:		
1994	North Huron Valley - Rouge Valley Wastewater Control System Bonds, Series 1989	\$	3,700,000
1999	Rouge Valley - Dearborn Heights CSO Basin Bonds Series 1994D		9,705,000
1999	Rouge Valley - Inkster CSO Basin Bonds Series 1994F		2,445,000
1999	Rouge Valley - Inkster CSO Basin Bonds Series 1994G		5,595,000
1999	Northeast Sewage Disposal System Bonds Series 1994G		1,475,000
1999	Downriver Sewage Disposal System Bonds Series 1994A		<u>6,065,000</u>
	Total primary government		28,985,000
	Component Units:		
1994	Chapter 20 Drainage Districts- various municipal obligations		6,665,000
1999	Chapter 21 (Milk River) Drainage District bonds, 1994 Series A		<u>1,065,000</u>
	Total component units		<u>7,730,000</u>
	Total defeased debt	\$	<u>36,715,000</u>

Component Units

Changes during FY 2003 and details of long-term obligations related to component units are summarized on the following page.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(11) Debt and Other Obligations, Continued

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Component Units:					
Airport Authority:					
Revenue bonds	\$ 1,809,440,000	6,500,000	(48,410,000)	1,767,530,000	\$ 34,771,157
Bond discount	(18,064,068)	1,064,203	-	(16,999,865)	-
Deferred loss on refunding	(17,369,206)	1,027,018	-	(16,342,188)	-
Bond premium	6,130,389	-	(426,338)	5,704,051	-
Total Airport Authority	1,780,137,115	8,591,221	(48,836,338)	1,739,891,998	34,771,157
Circuit Court:					
Capital lease	10,140,150	-	(2,897,823)	7,242,327	3,436,101
Non-major Component Units:					
Bonds payable:					
General obligation bonds	12,547,433	-	(2,051,479)	10,495,954	1,381,730
Revenue bonds	99,545,095	-	(2,505,000)	97,040,095	2,545,000
Notes payable	-	1,340,000	-	1,340,000	284,055
Total non-major component units	112,092,528	1,340,000	(4,556,479)	108,876,049	4,210,785
Total Component Units	\$ 1,902,369,793	9,931,221	(56,290,640)	1,856,010,374	\$ 42,418,043

Airport Authority - The Detroit Metropolitan Wayne County Airport Revenue Bonds are collateralized by a lien on the net revenues (as defined) of the airport. In general, the full faith and credit of the County has not been extended to cover insufficient revenue sources associated with this debt.

In May 1990, the County entered into agreements with MESABA Aviation to issue approximately \$3.6 million in Airport Special Facility Revenue Bonds to finance the construction of an airline maintenance facility. All debt service costs will be paid by the airline through a trustee. The County is not obligated in any manner to provide debt service in the event of default by MESABA. The agreement also provides for the airline to construct a ramp and taxiway connection. As these bonds are payable from special facility lease rentals payable in full by the respective airlines, the related debt has not been reflected in the financial statements of the Authority.

In October 1996, the County issued \$135.8 million Charter County of Wayne Airport Revenue Refunding Bonds, Series 1996A and 1996B to retire Series 1986 Bonds, at their earliest optional redemption date of December 1, 1996. The refunding bonds are subject to interest rate adjustments determined from time to time by a remarketing agent to reflect the prevailing market. The interest rate borne by the bonds, however, is capped at 12 percent or the maximum rate under Michigan law, so long as a letter of credit is in place. In anticipation of this refunding, in October 1993, the County entered into an interest-rate swap agreement with a notional principal amount of \$126 million, which permitted the County to change the terms of the anticipated bond offering from a variable rate to a fixed-rate coupon of 5.72 percent. Additionally, interest payments that are made to or received from the counterparty commencing December 1, 1996 through the swap termination in 2008, will be reflected as an adjustment of interest expense on the refunding bonds.

(11) Debt and Other Obligations, Continued

As of September 30, 2003 rates were as follows:

<u>Interest Rate</u>	<u>Term</u>	<u>Rate</u>
Fixed payment to counterparties	Fixed	5.72%
Variable rate from counterparties	BMA	1.08%
Net interest rate swap payments		4.64%
Variable rate bond payment	Market	1.10%
Synthetic interest rate on bonds		5.74%

Due to the reduction of interest rates since the execution of the Swap, the Swap had a negative fair value of \$12,204,145 as of September 30, 2003. Due to this negative fair value, the Authority was not exposed to a credit risk. However, should interest rates change and the fair value of the Swap become positive, the Authority would be exposed. The counterparties, Merrill Lynch and Goldman Sachs, both have S&P ratings of A+, Moody's ratings of AA3, and Fitch ratings of AA- mitigating this risk.

The Swap exposes the Authority to basis risk should the relationship between BMA and the variable-rate bond payments cause the expected cost savings to not be realized. This risk is mitigated by the Authority maintaining bond insurance, a liquidity facility, and an Authority debt program that limits exposure to synthetic issues to a maximum of 10% of the overall airport debt.

The Authority is also exposed to the risk of termination should either the counterparty or the Authority fail to perform under the terms of the contract. A termination during a negative value period could cause the Authority to be liable to the counterparty equal to the Swap fair value. This risk is mitigated by the Authority maintaining bond insurance, a liquidity facility, and the overall debt program.

There is a rollover risk beginning in 2009 after termination of the existing swap agreement. At that time, the remaining bonds will be subject to variable rate exposure. In 2004, the Authority is planning to restructure and extend the Swap to mitigate this exposure.

The Series 1996A and 1996B Bonds are revenue obligations of the County and do not constitute indebtedness of the County within the meaning of any constitutional, statutory, or charter provision or limitation. Neither the credit nor the taxing power of the County is pledged for the payment of principal, premium, if any, or interest on the Series 1996A and 1996B Bonds.

In June 1999, the County entered into agreements with Northwest Airlines to issue approximately \$15.2 million in Airport Special Facility Revenue Bonds to finance the construction of an aircraft maintenance facility. All debt service costs will be paid by the airline through a trustee. The County is not obligated in any manner to provide debt service in the event of default by Northwest Airlines. As these bonds are payable from special facility lease rentals payable in full by Northwest Airlines, the related debt has not been reflected in the financial statements of the Authority.

In January 2001, the County issued \$141.9 million Charter County of Wayne Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at the Metro Airport. The Series 2001 Bonds and the interest thereon are payable from the Net Revenues derived by the County from the operation of the Metro Airport and available after Net Revenues have first been set aside as required to pay the principal and interest and Redemption Price, if any, on Senior Lien Bonds as provided in the Ordinance. The Series 2001 Bonds are "Junior Lien Bonds" under the Ordinance, and a statutory lien subordinate to the prior lien in respect of Senior Lien Bonds has been established under the Ordinance upon and against the Net Revenues to secure the payment of the Series 2001 Bonds.

(11) Debt and Other Obligations, Continued

The Series 2001 Bonds are variable rate bonds. The remarketing agent is responsible under an agreement with the Metro Airport to establish the interest rate weekly. The interest rate is determined as the rate of interest which, in the judgment of the remarketing agent, would cause the Series 2001 Bonds to have a market value as of the date of determination equal to the principal amount, taking into account prevailing market provisions.

The Series 2001 Bonds are revenue obligations of the County and do not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor taxing power of the County is pledged for the payment of principal, or interest or premium, if any, on the Series 2001 Bonds, and no owner of any Series 2001 Bond has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the Ordinance.

In March 2001, the County issued \$110.9 million Airport Hotel Revenue Bonds, Series 2001A and Series 2001B. The 2001A Bonds, \$99.6 million, were issued for the purpose of paying the cost of acquiring, construction, equipping and furnishing an airport hotel and related improvements (the "Airport Hotel") at the new McNamara Terminal of the Detroit Metropolitan Wayne County Airport to be owned by the County. In addition, these bonds will pay capitalized interest and certain costs of issuance for this series. The 2001B Bonds, \$11.3 million, were issued for the purpose of paying the County Credit Enhancement Fee, funding the Operation and Maintenance Reserve Fund, and paying capitalized interest and certain costs of issuance related to this series.

The County has pledged all net Airport Hotel revenues solely for the payment of the Bonds and the Parity Obligations and a statutory first lien has been granted upon all net Airport Hotel revenues for such purpose. In addition, the County has pledged its limited tax full faith and credit as additional security for payment of the principal, premium, if any, and interest on the Bonds, subject to constitutional, statutory and charter tax rate limitations.

In August 2001, the County entered into an Installment Purchase Contract for \$14.4 million to pay for energy conservation improvements at the Metro Airport. The purchase contract is not a revenue or general obligation of the County and does not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor taxing power of the County is pledged for the payment of principal, or interest or premium, if any, on these improvements.

In May 2002, the County issued \$141.7 million Charter County of Wayne Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at the Airport. The Series 2002A Bonds and the interest thereon are payable from the Net Revenues derived from the operation of the Metro Airport.

The Series 2002A Bonds are variable rate bonds. The remarketing agent is responsible under an agreement with the Metro Airport to establish the interest rate weekly. The interest rate is determined as the rate of interest which, in the judgment of the remarketing agent, would cause the Series 2002A Bonds to have a market value as of the date of determination equal to the principal amount, taking into account prevailing market provisions.

The Series 2002A Bonds are revenue obligations of the County and do not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor taxing power of the County is pledged for the payment of principal, or interest or premium, if any, on the Series 2002A Bonds, and no owner of any Series 2002A Bond has the right to compel the exercise of

(11) Debt and Other Obligations, Continued

the taxing power of the County or the forfeiture of any of its property in connection with any default under the Ordinance.

In July 2002, the County issued \$102.5 million Charter County of Wayne Airport Revenue Refunding Bonds, Series 2002C and 2002D. The Series 2002C Refunding Bonds were issued to refund, on a current basis, at the earliest practicable date, the Series 1990B Bonds and the December 2002 principal amount due on the Series 1998B Bonds. The Series 2002D Refunding Bonds were issued to refund, on a current basis, at the earliest practicable date, the Series 1990A Bonds and the Series 1991B Bonds.

The County defeased the Series 1990B, Series 1990A, Series 1991B Bonds, and the December 2002 principal amount due on the Series 1998B Bonds by placing the proceeds of the Series 2002C and 2002D Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The Series 1990B, the Series 1990A, and the Series 1991B Bonds were subsequently called and paid in full in August 2002. The portion of the Series 1998B Bonds was subsequently called and paid in December 2002. The difference between the cash flows required to service the new debt and complete the refunding was \$15.3 million. The County estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) will approximate \$14.1 million.

The Series 2002C and 2002D Refunding Bonds are revenue obligations of the County and do not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor the taxing power of the County is pledged for the payment of principal, or interest or premium, if any, on the Series 2002C and 2002D Refunding bonds, and no owner of any Series 2002C and 2002D Refunding bond has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the Ordinance.

In November 2002, the Authority entered into two debt agreements with Westin Management Company East (the Hotel Operator). Both loans were provided for in the Hotel Management and Operating agreement. The Capital/FF&E loan was for \$5 million and is to be used solely for future capital improvements to the Airport Hotel. The Working Capital loan was for \$1.5 million and was used to provide initial working capital to operate the Airport Hotel. The net Airport Hotel revenues are pledged solely for the payment of the Airport Hotel Bonds and these loans, and statutory first lien, has been granted upon all net Airport Hotel revenues for such purpose.

The Authority capitalizes net financing costs during construction for debt issues specifically related to construction projects. During the year ended September 30, 2003, interest expense incurred on these debt issues totaled \$84,691,118. For 2003, net financing costs capitalized were \$1,893,269.

In prior years, the County defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the financial statements. On September 30, 2003, \$36.7 million of bonds outstanding are considered defeased.

Circuit Court - The Circuit Court entered into two five-year capital lease obligations with Banc One Leasing Corporation to finance a portion of the cost of developing a new Case Management Tracking System. These obligations qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the inception date, August 2000 and September 2000, respectively. The required minimum semi-annual lease payments amount to \$403,230 and \$574,098, respectively. As of September 30, 2003, the outstanding portion of these lease obligations amounted to \$1,498,114 and

(11) Debt and Other Obligations, Continued

\$2,158,874, respectively. The Circuit Court leases are recorded as a long-term capital lease payable in the government-wide financial statements and as developmental costs in the Courts' Capital Projects Fund.

In September 2000, the Circuit Court entered into a five-year capital lease obligation through the County's ELF to finance various items of equipment with a total cost of \$4.6 million. This obligation qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date. The required minimum monthly lease payments amount to \$89,213. As of September 30, 2003, the outstanding portion of this lease obligation amounted to \$2,479,545. The County has recorded a long-term capital lease payable in the government-wide financial statements.

In September 2001, the Circuit Court entered into a five-year capital lease obligation through the County's ELF Fund to finance various items of equipment with a total cost of \$1.7 million. This obligation qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date. The required minimum monthly lease payments amount to \$33,641. As of September 30, 2003, the outstanding portion of this lease obligation amounted to \$1,105,794. The County has recorded a long-term capital lease payable in the government-wide financial statements.

The outstanding portion of the obligations under capital leasing transactions associated with the Circuit Court at September 30, 2003, was \$7.2 million.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003, were as follows:

<u>September 30.</u>	<u>Capital Lease Obligation</u>
2004	\$ 3,436,101
2005	3,436,101
2006	938,909
Total minimum lease payments	7,811,111
Less amount representing interest	(568,784)
Present value of minimum lease payments	<u>\$ 7,242,327</u>

In April 2003, the County entered into a five-year note payable for \$1.1 million with an interest rate of 3.55% with the MMBA for the purpose of financing a portion of the Wayne County Probate Court Imaging Project/Case Management System. The new system will provide case management, imaging, electronic filing, and internet access. The County's obligation to make the payments is a limited tax general obligation supported by the full faith and credit of the County, subject to certain limitations.

Drainage Districts - Special assessments receivable on properties benefited by the various Chapter 20 drainage district obligations have been irrevocably pledged for repayment of the related principal and interest. In addition, the County has pledged its full faith and credit for all outstanding obligations of the various drainage districts, with the exception of \$5.15 million of debt relating to the Ecorse Creek Pollution Abatement Drain No. 1 Phase III Drainage District, which is considered defeased.

(11) Debt and Other Obligations, Continued

In September 1991, the Chapter 21 Drainage District authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$25.7 million for the Milk River Drainage District Water Pollution Control. Through September 30, 2003, the district has received \$25.5 million from the revolving loan fund.

As discussed above, the Chapter 21 Drainage District issued \$1.2 million Series 1999B Revenue Bonds, under the MMBA's Local Government Loan Program. The bond proceeds were used to refund and effectively defease \$1.1 million of the existing Chapter 21 Drainage District Bonds, Series 1994A.

In July 2003, the Desbrow Intercounty Drain Drainage District borrowed \$235,000 from the Hastings City Bank, promising to repay the Note Payable by July 2006. Proceeds of the note payable are being used to construct major improvements to the Desbrow Intercounty Drain. Repayment of this debt will be made from special assessments against the properties benefiting from these improvements, and are guaranteed by the full faith and credit of the Drainage District.

Detroit-Wayne County Stadium Authority - In April 1997, the Detroit-Wayne County Stadium Authority (Authority) issued bonds totaling \$85.8 million for financing a portion of the cost of acquiring and constructing a baseball stadium for use by the Detroit Tigers major league baseball team and for paying costs of issuance in connection with those bonds. The County has pledged its limited tax full faith and credit for payment of the cash rentals to the Authority under a contract dated March 1, 1997. In addition, the County is required to provide sufficient monies in its annual budget for payment of the cash rentals and, if necessary, to levy ad valorem taxes on all taxable property within its boundaries, subject to constitutional, statutory, and charter tax rate limitations. The County has also pledged certain motor vehicle rentals and hotel tax revenues (the "Tourist Taxes") levied by the County pursuant to Act No. 180, Public Acts of Michigan 1991.

Operating Leases

The County is committed under two leases for office space and court activities. These leases are considered for accounting purposes to be non-cancelable operating leases. Lease expenditures for the year ended September 30, 2003 amounted to \$5,374,752. Future minimum lease payments for these leases are as follows:

September 30	Operating Lease Obligations
2004	\$ 5,388,141
2005	4,745,164
2006	5,326,207
2007	5,472,279
2008	5,604,873
Total minimum lease payments	<u>\$ 26,536,664</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(11) Debt and Other Obligations, Continued

Other

The annual requirement to pay principal and interest on the debt outstanding as reflected above, excluding capital leases, at September 30, 2003 are summarized as follows:

Airport Authority - Revenue Bonds

Year Ended September 30	Principal	Interest
2004	\$ 34,771,157	81,483,418
2005	36,028,208	79,750,553
2006	38,920,489	77,825,085
2007	42,799,205	75,693,536
2008	44,984,474	73,360,048
2009-2013	396,170,420	317,562,475
2014-2018	330,686,047	239,658,678
2019-2023	345,660,000	154,059,188
2024-2028	363,115,000	72,080,636
2029-2033	134,395,000	5,524,152
Total	<u>\$ 1,767,530,000</u>	<u>1,176,997,769</u>

Non-major Component Units - Bonds and Notes Payable

Year Ended September 30	<u>General Obligation</u>		<u>Revenue</u>	
	Principal	Interest	Principal	Interest
2004	\$ 1,665,785	\$ 602,299	\$ 2,545,000	\$ 4,686,528
2005	1,679,652	517,173	2,590,000	4,592,156
2006	1,668,552	429,248	2,635,000	4,501,914
2007	1,626,278	343,090	3,390,000	4,391,157
2008	1,966,912	255,921	3,645,000	4,253,962
2009-2013	3,077,485	420,143	20,345,095	18,753,406
2014-2018	128,555	11,178	20,040,000	13,870,038
2019-2023	22,735	284	23,250,000	7,934,063
2024-2027	-	-	18,600,000	1,953,000
Totals	<u>\$ 11,835,954</u>	<u>2,579,336</u>	<u>\$ 97,040,095</u>	<u>64,936,224</u>

Bond Payable	\$ 10,495,954
Notes Payable	1,340,000
	<u>\$ 11,835,954</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(12) Employee Benefits

Pension Plans

Wayne County Employees Retirement System

Plan Description

The County provides retirement benefits to its employees through the Wayne County Employees' Retirement System (WCERS), a single-employer public employee retirement system which is governed by the Wayne County Retirement Ordinance, as amended. The Retirement System provides three defined-benefit retirement options, two of which are contributory (together, the Defined Benefit Plan) and a Defined Contribution Plan. The Retirement System provides retirement, survivor, and disability benefits to substantially all County employees. In addition, the County's Retirement Board of Commissioners administers the Wayne County Circuit Court Commissioners Bailiffs' Retirement System, a defined-benefit plan. The Retirement Board issues separate financial statements annually. Copies of financial statements for each plan can be obtained at 28 W. Adams, Suite 1900, Detroit, Michigan 48226.

The Defined Benefit Plan (Plan Option 1, Plan Option 2, Plan Option 3, and Plan Option 5, or collectively "the Plan") and the Defined Contribution Plan (Plan Option 4 and Plan Option 5) have been combined for presentation in the financial statements.

In 1983, the County closed Plan Option 1 of the WCERS to new hires, and added two new options under the Defined Benefit Plan, which resulted in a lower final benefit to the participant. At September 30, 2002, the date of the most recent actuarial valuation, membership consisted of 5,833 retirees and beneficiaries receiving benefits, 145 inactive (separated) employees entitled to benefits but not yet receiving them, and 1,520 current active employees combined in the Plan.

Effective October 1, 2001, WCERS established the Wayne County Hybrid Retirement Plan #5 ("Plan Option 5"), which contains both a defined benefit component and a defined contribution component. Participants in the plan options previously in existence ("Plan Option 1," "Plan Option 2," and "Plan Option 3") could elect to transfer their account balances to Plan Option 5 between October 1, 2001 and June 30, 2002. New employees could elect to participate in Plan Option 5 through September 30, 2001. Effective October 1, 2001, only Plan Option 5 is available to new employees; Plan Options 1, 2, and 3 are closed to new hires. Because there is no legal requirement to segregate the assets relating to Plan Options 1, 2, 3, or 5 in paying benefits, the accompanying financial statements include the net assets and changes in net assets relating to Plan Options 1, 2, and 3, as well as the defined benefit component of Plan Option 5. The defined contribution portion of Plan Option 5 is included in the financial statements of the WCERS Defined Contribution Plan.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The County's policy, in accordance with State statute, is to fund pension costs. Accrued unfunded actuarial liabilities, if any, are amortized over a 15-year period.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(12) Employee Benefits, Continued

Methods Used to Value Investments

The Retirement Board of Commissioners has authority to invest the Plan's assets in common and preferred stock; obligations of the United States, its agencies, or U.S. government sponsored enterprises; obligations of any state or political subdivision of a state having the power to levy taxes; banker's acceptances; certificates of deposit; commercial paper; repurchase agreements; real and personal property; mortgages; and certain other investments.

Market values for common stocks and money market funds are based on September 30, 2003 closing market quotations. Fixed debt quotations are provided by a national brokerage pricing service. Mortgage market values are determined on the basis of comparable yields available in the marketplace. Investments in certain partnerships that do not have a readily determinable market value are recorded at cost.

The Plan did not hold any individual investments, other than investments in registered investment companies or investments issued or guaranteed by the U.S. government, that exceeded five percent of total assets as of September 30, 2003 and 2002.

Contributions

Participants in Plan Option 1 contribute 2 to 2.58 percent of annual compensation for 17 or more years of credited service. The Sheriff's Command Officers and Deputies contribute 5 percent of annual compensation. Participants in Plan Option 2 do not make plan contributions but receive a lower final benefit. Plan Option 3 participants make decreased contributions of 3 percent of covered compensation, and receive a lower final benefit. Participants in Plan Option 5 make no member contributions.

The obligation to contribute and to maintain the Plan for these employees was established by negotiations with the County's collective bargaining units.

Annual Pension Cost

For the fiscal year ended September 30, 2003, the County's annual pension cost of \$3,002,263 equaled the County's actual contributions and exceeded the County's required contributions. The annual required contribution was determined using an actuarial valuation of the Plan dated September 30, 2001, (the projected unit credit actuarial cost method) determined as a level percentage of payroll. The County has agreed to voluntarily contribute such additional amounts as necessary to provide assets sufficient to meet the benefits to be paid to Plan members. The significant actuarial assumptions used to compute the contribution requirements include a rate of return on the investment of present and future assets of 8 percent compounded annually, and projected salary increases of 4 to 7 percent compounded annually.

Pension Benefits

Benefits are paid monthly over the member's or survivor's lifetime, after meeting normal retirement or duty disability retirement requirements which vary by option, based on the following percentages of average final compensation, for each year of credited service:

Plan Option 1 – 2 to 2.65 percent for each year. Maximum County-financed portion is 75 percent of average final compensation. Minimum monthly pension is \$5 times years of service.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(12) Employee Benefits, Continued

Plan Option 2 - 1 percent for each year up to 20 years, and 1.25 percent for each year over 20 years. Maximum County-financed portion is 75 percent of average final compensation.

Plan Option 3 - 1.5 percent for each year up to 20 years, 2 percent for each year between 20 and 25 years, and 2.5 percent for each year over 25 years.

Plan Option 5 - 1.25 percent for each year up to 20 years, and 1.5 percent for each year over 20 years.

Death and Disability Benefits - The Plan also provides non-duty death and disability benefits to members after ten years of credited service for Plan Option 1, 2 and 5 along with, non-duty death benefits for Plan Option 3. The ten-year service provision is waived for duty disability and duty-related death benefits.

The following represents the County's annual pension costs as of September 30, 2003:

Three Year Trend Information
(Dollar amounts in thousands)

<u>Fiscal Year Ended September 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 39	100	-
2002	45	100	-
2003	3,002	226.1	-

Reserves (Employees)

As of September 30, 2003, the Plan's legally required reserves have been fully funded as follows:

Reserve for employee contributions	\$ 57,581,999
Reserve for employer contributions	31,938,853
Reserve for pension payments	788,232,323
Reserve for inflation equity	95,961,769
Total reserve balances	<u><u>\$ 973,714,944</u></u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(12) Employee Benefits, Continued

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets *	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered+ Payroll (c)	UAAL as a Percent of Covered Payroll [(b)-(a)]/(c)
	(a)	(b)				
11/30/97#	877.9	870.1	(7.8)	100.9	224.1	N/A
09/30/98#	933.0	906.6	(26.4)	102.9	231.0	N/A
09/30/99	965.8	915.3	(50.5)	105.5	256.4	N/A
09/30/00&	1,028.6	947.6	(81.0)	108.5	275.6	N/A
09/30/01#	1,041.6	979.2	(62.4)	106.4	294.1	N/A
09/30/02**	1,043.3	1,010.7	(32.6)	103.2	309.0	N/A

- # After changes in benefit provisions or revised actuarial assumptions.
* Excludes reserve for inflation equity.
+ Includes defined contribution plan payroll.
& Change in Inflation Equity calculation.
** Includes Hybrid Plan 5

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)
(Dollar Amounts in Thousands)

	Fiscal Year Ended September 30	Annual Required Contributions	Actual Contributions	Percent Contributed
(1)	1998	\$ 7,095	\$ 7,095	100
	1999	7,632	7,642	100
	2000	3,805	3,805	100
	2001	39	39	100
	2002	-	45	100
(2)	2003	1,328	3,002	226.1

- (1) Fiscal year 1998 covered a ten-month period ending September 30, 1998.
(2) The actual contribution includes a provision for the Wayne County Hybrid Retirement Plan #5, which was not included in the September 30, 2002 actuarial valuation.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(12) Employee Benefits, Continued

REQUIRED SUPPLEMENTARY INFORMATION
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS (UNAUDITED)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the date indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	September 30, 2002
Actuarial cost method	Projected unit credit actuarial cost method
Amortization method	Level percentage of payroll
Remaining amortization period	N/A, closed
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
* Investment rate of return	8.0%
* Projected salary increases	4.0% - 7.0%
Cost-of-living adjustments	N/A
* Indicates inflation at 4.0%	

Factors that significantly affect the identification of trends in the amounts reported include, for example, changes in benefit provisions, the size or composition of the population covered by the Plan, or the actuarial methods and assumptions used.

Wayne County Circuit Court Commissioners Bailiffs' Retirement System

Plan Description

The Wayne County Circuit Court Commissioners Bailiffs' Retirement System (Bailiffs' Retirement System) is a single-employer defined benefit public employee retirement plan (the Plan) governed by the WCERS and created under the County of Wayne's Enrolled Ordinance No. 86-486 (November 20, 1986), as amended. The Bailiffs' Retirement System was established by the County to provide retirement, survivor, and disability benefits to the County's Circuit Court Commissioners Bailiffs Unit employees.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative expenses are financed through investment earnings.

Methods Used to Value Investments

The Retirement Board of Commissioners has authority to invest the Plan's assets in common and preferred stock; obligations of the United States, its agencies, or U.S. government sponsored enterprises; obligations of any state or political subdivision of a state having the power to levy taxes; banker's

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(12) Employee Benefits, Continued

acceptances; certificates of deposit; commercial paper; repurchase agreements; real and personal property; mortgages; and certain other investments.

Market values for common stocks and money market funds are based on September 30, 2003 closing market quotations. Fixed debt quotations are provided by a national brokerage pricing service. Mortgage market values are determined on the basis of comparable yields available in the marketplace.

The Plan had the following individual investments other than those issued or guaranteed by the U.S. government that exceed five percent of total assets as of September 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
General Motors Acceptance Corporation Medium-Term NTS bond	\$ 500.780	\$ 515.068

Contributions

The Plan's basic benefits are funded by contributions from the State of Michigan through prior agreement, by active members, process service fees and by investment income earned on Plan assets. Plan members contribute 3.0 percent of the first \$4,200 of annual compensation plus 5.0 percent of annual compensation in excess of \$4,200.

The funding policy provides for periodic contributions based upon a fundamental financial objective of having rates of contribution that remain relatively level from generation to generation. To determine the employer contribution rates and to assess the extent to which the fundamental financial objective is being achieved, the Plan has actuarial valuations prepared annually. In preparing those valuations, the entry age normal actuarial cost method is used to determine normal cost and actuarial accrued liabilities.

Annual Pension Cost

For the fiscal year ended September 30, 2003, there were no required contributions or actual contributions made by the County. The annual pension cost of \$63,133 was equal to the actual contributions provided by the State of Michigan. The annual required contribution was determined using an actuarial valuation of the Plan as of September 30, 2001. Contributions were determined using an entry age normal actuarial cost method. The over funding of required contributions is being amortized over 21 years.

Pension Benefits

Employees with 25 years of service and having attained age 50, as well as employees with five years of service and having attained age 60, are entitled to annual pension benefits upon reaching the applicable retirement age. There is no mandatory retirement age. Pension benefits are calculated as total years of service multiplied by 2.0 percent of average final compensation. The maximum portion financed by the WCERS is 75 percent of average final compensation.

There were 6 active participants in the Plan for 2003 (all of whom were vested), and 6 retirees and beneficiaries receiving benefits.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(12) Employee Benefits, Continued

Three-Year Trend Information
(Dollar amount in thousands)

<u>Fiscal Year Ended September 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	-	-	-
2002	-	-	-
2003	-	-	-

Reserves (Circuit Court)

As of September 30, 2003, the Plan's legally required reserves have been fully funded as follows:

Reserve for employee contributions	\$ 1,254.531
Reserve for employer contributions	1,428.590
Reserve for pension payments	1,092.867
Reserve for inflation equity	4.678
Unallocated net assets	<u>622.101</u>
 Total reserve balances	 \$ <u>4,402.767</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(12) Employee Benefits, Continued

The information presented in the following schedules was determined as part of the actuarial valuations as of the dates indicated.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered+ Payroll (c)	UAAL as a Percent of Covered Payroll [(b)-(a)]/(c)
11/30/1996	3,359	3,217	(142)	104.4	889	-
11/30/1997	3,617	3,409	(208)	106.1	827	-
09/30/1998	3,854	3,455	(399)	111.5	768	-
09/30/1999	4,097	3,730	(367)	109.8	838	-
09/30/2000	4,324	3,789	(535)	114.1	714	-
09/30/2001	4,391	3,789	(602)	115.9	714	-
09/30/2002	4,367	3,527	(840)	123.8	714	-

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE
EMPLOYER AND OTHER CONTRIBUTING ENTITIES (UNAUDITED)

	Fiscal Year Ended September 30	Annual Recommended Contributions	Actual Contributions	Percent Contributed
(1)	1998	-	42,051	-
	1999	-	71,046	-
	2000	-	66,718	-
	2001	-	61,159	-
	2002	-	68,063	-
	2003	-	63,133	-

(1) Fiscal year 1998 covered a ten-month period ending September 30, 1998.

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS (UNAUDITED)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	September 30, 2002
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of pay
Remaining amortization period	21 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
*Investment rate of return	7.0%
*Projected salary increases	3.0%
Cost-of-living adjustments	Inflation equity reserve distributions

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(12) Employee Benefits, Continued

Factors that significantly affect the identification of trends in the amounts reported include, for example, changes in benefit provisions, the size or composition of the population covered by the Plan, or the actuarial methods and assumptions used.

Wayne County Employees' Retirement System Defined Contribution Plan

The Wayne County Employees' Retirement System instituted a Defined Contribution Plan, a single employer plan ("Plan Option 4 and Plan Option 5") under the County's Enrolled Ordinance No. 86-486 (November 20, 1986), as amended. The Plan was established to provide retirement, survivor and disability benefits to County employees. The administration, management and responsibility for the proper operation of the Plan are vested in the trustees of the Wayne County Retirement Commission.

Under Plan Option 4, the County contributes \$4.00 for every \$1.00 contributed by each member, or for eligible executives; \$5.00 for every \$1.00 contributed by each member, with the member contributions ranging from 1.0 percent to 2.5 percent of base compensation. For eligible executives, the County contributes 12.5 percent of the member's compensation, with the member contribution limited to 2.5 percent of compensation. Employees hired prior to July 1, 1984 are eligible to transfer from the Wayne County Employees' Retirement System Defined Benefit Plan to the Plan through September 30, 2002. At September 30, 2002, the date of the most recent actuarial valuation, there were 4,499 employees in the Plan. Classified employees are vested as to employer contributions after three years of service, and executive members are vested after two years of service.

Participants in Plan Option 5 contribute three percent of gross pay. The County makes matching contributions at a rate equal to the amount contributed by each employee. At September 30, 2002, there were 579 employees in the Plan. Classified employees are vested at 50 percent after one year of service, 75 percent after two years of service, and 100 percent after three years of service. All full-time, permanent County employees are eligible to join the Plan. Those employees hired prior to July 1, 1984 were eligible to transfer from the WCERS Defined Benefit Plan to the Plan through September 30, 2002. Effective October 1, 2001, the County closed Plan Option 4 to new hires, except for new executives. Plan Option 5 is available to all persons hired after September 30, 2001.

Total employer and employee contributions for Plan Options 4 and 5, during 2003, representing 11.9 percent of payroll, where \$24.4 million and \$6.9 million, respectively.

In Plan Option 4, members are able to receive loans from the Defined Contribution Plan. Only active employees with a vested account balance of \$2,000 or more are eligible. Interest on the loans is at the rate of five-year Treasury notes plus 300 basis points (3 percent) rounded to the nearest quarter of a percent.

The Plan uses the accrual basis of accounting, which recognizes revenues as earned and expenses as incurred. Market values for common stock, money market funds and mutual funds are based on September 30, 2003 closing market quotations.

The Plan did not hold any individual investments, other than investments in registered investment companies or investments issued or guaranteed by the U.S. government, that exceeded five percent of total assets as of September 30, 2003 and 2002.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(12) Employee Benefits, Continued

Other Post Retirement Benefit Obligations

The County provides hospitalization and other health insurance for retirees pursuant to agreements with various collective bargaining units or other actions of the Wayne County Commission or the Wayne County Retirement Commission Trustees. Benefits are provided to retirees under the age of 65 and their eligible dependents, and the cost of federal Medicare premiums and supplemental hospitalization for retirees over 65 and their eligible dependents, as these costs are incurred by the retirees. The County paid approximately \$37 million for the fiscal year ended September 30, 2003 for these benefits. In addition, the County pays the cost of the basic retiree life insurance, up to \$5,000 per employee, on a pay as you go basis. Total costs for the year ended September 30, 2003 amounted to \$2.7 million. There were 5,833 retirees as of September 30, 2003 eligible for benefits.

Substantially all County employees may become eligible for benefits if they reach normal retirement age while employed by the County. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 12, *Disclosure of Information on Post Employment Benefits Other Than Pension Benefits*, no determination of the County's continuing obligation for these benefits has been made as of September 30, 2003.

Deferred Compensation Plan

The County has made available to all permanent employees a deferred compensation plan (the Plan) established in accordance with Internal Revenue Code Section 457. The Plan permits participating employees to defer a portion of their salary until future years. Accumulated deferred compensation amounts are not available to employees or their estates until retirement, death, termination of employment or unforeseeable emergency.

All assets of the Plan are (until paid or made available to the participant or beneficiary) held in trust by a third party administrator for the exclusive benefit of the participants and their beneficiaries. The assets are invested in annuity contracts and mutual funds.

It is the opinion of the County's Corporation Counsel that the County has no liability for losses under the Plan but does have the fiduciary duty of due care that would be required of an ordinary prudent investor.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans*, the assets and liabilities of the deferred compensation plan have been removed from the County's financial statements.

(13) Fund Deficits

The County is required by its Home Rule Charter and State statutes, specifically Public Act 2 of 1968 and Public Act 275 of 1980, as amended, to operate under a plan to eliminate any undesigned fund deficits.

Component Units

Fund deficits recorded in individual Chapter 8 Drainage Districts at September 30, 2003 amounted to approximately \$3,338,881. These deficits are expected to be eliminated through future assessments.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(13) Fund Deficits, Continued

Fund deficits recorded in individual Chapter 20 Drainage Districts at September 30, 2003 amounted to approximately \$560,279. These deficits are expected to be eliminated through future assessments.

Fund deficits recorded in individual Chapter 21 Drainage Districts at September 30, 2003, amounted to approximately \$279,484. These deficits are expected to be eliminated through future assessments.

The fund deficit recorded in the Circuit Court Fund at September 30, 2003 amounted to \$17.5 million. As a result of an agreement with the Court, General Fund appropriations will fund \$10.0 million of this deficit at the rate of \$2.0 million per year, commencing with the fiscal year ending September 30, 2005. The remaining deficit is expected to be eliminated partly through enhanced revenue collection, expenditure reductions and improved efficiencies in certain Court functions, either through reorganization and/or elimination.

Governmental Funds

The fund deficit recorded in the *Health Fund*, a major fund, amounted to \$319,570. This deficit will be eliminated through additional General Fund appropriations.

The fund deficit recorded in the *Juvenile Justice and Abuse/Neglect Fund*, a major fund, amounted to \$10.5 million at September 30, 2003. This deficit will be carried forward and funded through additional General Fund appropriations.

The fund deficit in the *Rouge Demonstration Project Fund* amounted to \$1.6 million at September 30, 2003. This deficit will be carried forward and eliminated through increased collections in subsequent years.

The fund deficit recorded in the *Law Enforcement Fund* amounted to \$287,362 at September 30, 2003. This deficit will be carried forward and eliminated through increased collections in subsequent years.

The fund deficit recorded in the *Drug Enforcement Fund* amounted to \$141,158 at September 30, 2003. This deficit will be carried forward and eliminated through increased collections in subsequent years.

The fund deficit recorded in the *Nutrition Fund* amounted to \$328,381 at September 30, 2003. This deficit will be carried forward and eliminated through increased collections in subsequent years.

The fund deficit in the *JEDD - 21st Century Fund* amounted to \$286,368 at September 30, 2003. This deficit will be carried forward and eliminated through additional General Fund appropriations.

The fund deficit recorded in the *Community Corrections Fund* amounted to \$205,888 at September 30, 2003. This deficit will be carried forward and eliminated through increased collections in subsequent years.

The fund deficit recorded in the *Nuisance Abatement Fund* amounted to \$235,879 at September 30, 2003. This deficit will be carried forward and funded from additional collections of charges, fees, and fines in subsequent years.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(14) Commitments and Contingencies

Claims, litigation, and assessments for the year ended September 30, 2003, and prior years, which were settled shortly after September 30, 2003, have been charged to current fiscal year operations. Certain claims, litigation, and assessments asserted against the County which are probable of loss and estimable in amount are reflected in the government-wide financial statements at September 30, 2003. In the governmental fund financial statements, liabilities are accrued when costs are settled and the amount is due and payable.

The U.S. Environmental Protection Agency has formally notified the County that it is in violation of the Federal Clean Water Act. On February 11, 1994, the County was required by a consent decree to make certain improvements to the Downriver Sewage Disposal System to address the immediate public health and welfare needs of the residents of those communities. The County issued bonds to cover the estimated cost of these additional improvements. The debt service on the bonds is paid by the participating local communities. The total cost of the improvements is expected to be approximately \$335 million.

In December 1999, the State of Michigan ("State") and the County reached an agreement regarding funding of prior disputed Juvenile Justice and Abuse/Neglect Fund (formerly the Child Care Fund) costs. Under the terms of the settlement, the County agreed to pay the State approximately \$40 million and the State agreed to release the County from all related liability, and allowed the County to borrow approximately \$40 million from the Emergency Loan Board at an initial rate of 5.532 percent per annum to pay this obligation. The State further stipulated that repayment of loan principal would not begin until November 1, 2009 and would only be paid from revenues which were otherwise distributable to the County from Section 5(b) of the 1987 PA 264, as amended, the Health and Safety Fund Act (Cigarette Tax). Additionally, this loan was not secured by the County's full faith and credit.

In May of 1999, the County authorized the expenditure of up to \$50 million for land acquisition and land development costs associated with the Pinnacle Aeropark Project. The Pinnacle Project was conceived as a state of the art business and technology park with associated recreational uses. The project area is 1,300 acres in size and will be linked to the McNamara Terminal at the Detroit Metropolitan Wayne County Airport.

In order to complete land acquisition and assembly for this project, the County commenced eminent domain proceedings against owners who refused to sell. A few property owners, representing about 2% of the total project area, challenged the County's authority to condemn their land. In July of 2004, the Michigan Supreme Court in County of Wayne vs. Hathcock reversed its 1981 decision in Poletown that allowed governments to take private property for "public use" in economic development projects like the Pinnacle Project. The Court held that the term "public use" was originally interpreted to allow condemnation of property only to carry out necessary functions of government, such as to build roads. Accordingly, the County could not legally acquire this property through eminent domain.

As a result of the Court's decision, the County anticipates that counsel for those owners that challenged the condemnation proceedings will present claims pursuant to the Uniform Condemnation Procedures Act against the County. That statute provides, in part, that an owner who successfully challenges a taking is entitled to have his attorney fees "reimbursed" by the municipal agency. There are potential defenses to this attorney fee claim, and the County intends to contest these claims vigorously.

As of this date, the owners have not made any claim for attorney fees. Therefore, management is unable to predict the final outcome of this matter for the ultimate effect, if any, on the County's operations or financial condition.

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(14) Commitments and Contingencies, Continued

There are several possible courses of action that may be taken by the nine owners of the 11 parcels that were the subject of the Supreme Court's decision. At this stage, it is premature to speculate how these owners will precede and the economic impact of any such actions. While there are legal theories that could be advanced in support of damage claims by the owners, there are also legal and factual defenses to such claims.

The County receives funds from other governmental units to finance specific grants. The final determination of allowable amounts is subject to financial and compliance audits by the responsible agencies. As of September 30, 2003, the audits of certain programs were not completed. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. Provision for certain expected disallowances has been made as of September 30, 2003. However, the amount, if any, of other expenditures that may be disallowed by the granting agencies cannot be determined at this time. County management believes that such amounts, if any, would not be material.

Payments made by the Detroit-Wayne County Community Mental Health Agency (the Agency) to its service providers are currently under audit by the Michigan Department of Community Health, Office of Audit (Office of Audit) for the fiscal years ended September 30, 1999 and September 30, 2000. In October 2003, the Office of Audit issued its preliminary findings identifying approximately \$26.2 million in potential overpayments to service providers. In May 2005, the Office of Audit increased its preliminary estimate to \$32.9 million in potential overpayments to service providers. Management is unable to make a meaningful estimate of the amount or range of loss that could result from an unfavorable outcome of this matter. However, due to the significant amount and nature of these contingencies, management has designated \$26.2 million in unreserved fund balance.

In addition, the Agency is both a defendant and plaintiff in several lawsuits and claims resulting from unresolved service provider audits. The outcome of these matters is not reasonably determinable.

The County is a defendant in a number of other lawsuits, a party in other disputes, and subject to claims and property tax appeals, which have resulted from its activities in providing services to the citizens of Wayne County. The ultimate unrecorded effect on the County's financial statements of the resolution of these matters is, in the opinion of management, not expected to be material.

(15) Subsequent Events

In December 2003, the Airport Authority issued \$214.9 million of Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at the Detroit Metropolitan Wayne County Airport.

In December 2003, the Airport Authority also issued \$129.4 million of Airport Revenue Refunding Bonds, Series 2003B and 2003C. The Series 2003B Refunding Bonds were issued to refund, on a current basis at the earliest practicable date, the Series 1993A Bonds and the Series 1993B Bonds. The Series 2003C Refunding Bonds were issued to refund, on a current basis at the earliest practicable date, the Series 1993C Bonds.

As a result of budgetary shortfalls at the state level for the year ending September 30, 2005, the State of Michigan has suspended state revenue sharing payments to the County. Effective December 2004, the State enacted Public Act 357 of 2004, which provides a new funding mechanism to serve as a substitute for county revenue sharing payments. This substitute funding mechanism involves a gradual shift of the county property tax millage from a winter tax levy to a summer tax levy and additionally, requires the

CHARTER COUNTY OF WAYNE, MICHIGAN
Notes to Basic Financial Statements, Continued
For the year ended September 30, 2003

(15) Subsequent Events, Continued

establishment of a County restricted fund to be known as the Revenue Sharing Reserve Fund. When the County has withdrawn all of the available funding from this fund, the State will then resume revenue sharing payments. It is anticipated that the County will not collect revenue sharing from the State of Michigan until approximately 2010.